

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

## **Frequently Asked Questions**

### **Act 120**

**1. Do all of the Act 120 changes start 7/1/11?**

The changes to qualification went into effect on 11/23/2010 when the legislation was signed into law. The new classes will be implemented on July 1, 2011.

**2. Are new membership handbooks available?**

The membership handbooks will have inserts of the impacts of Act 120 while we use up the last of our supply. We do anticipate having a new version of the handbook available later in the fall.

**3. When will the PSERS Employer manual be available with the new changes?**

An updated Employer Reference Manual will be available July 1, 2011.

### **Membership Classes**

**4. What is the difference between T-E and T-F members? Also T-C and T-D?**

For Classes T-D and T-F, the pension calculation will be Final Average Salary x Years of Service x 2.5%. For Classes T-C and T-E members, the pension calculation will be Final Average Salary x Years of Service x 2.0%. Members of classes T-C and T-D can withdraw their contributions and interest at Retirement, while T-E and T-F members cannot.

**5. Why would anyone want to choose T-F if they can have T-E?**

The T-F Membership Class provides members with a higher multiplier for their benefit at retirement. In Class T-F, the pension calculation will be Final Average Salary x Years of Service x 2.5%; for Class T-E members, the pension calculation will be Final Average Salary x Years of Service x 2.0%

**6. Can we receive a listing of our current open contract record employees with their Membership Class and Contribution Rate?**

Currently members' Contribution Rates are available on the Service Reports that are sent each winter. We are working with our IT Department to add Membership Class to an existing report.

**7. What is the impact of a 90 day termination period?**

The biggest impact is for Class T-C members. If they are subject to a Break in Service of 90 days or more, they would be re-enrolled as Class T-D.

**8. Is there a need to separate the current employees withholding at 7.5% from the new TE employees?**

Yes because the rates for Classes T-E and T-F will change in the future due to shared risk. Software providers have been notified of this necessity to keep the current employees withholding at 7.5% from the new T-E employees.

**9. We currently take contributions from all subs regardless of days worked in a year. Will we receive a list of which of the subs can remain at TD class or need to be now enrolled at TE? Can we continue to take contributions and report service for our subs from day 1?**

Yes, we are trying to get reports out to everyone with Class, Rate, and Qualification status before 7/1/2011.

**10. Do Employees who were hired prior to 7/1/11 have the option to increase contribution and change classes?**

No, current members of Classes T-C and T-D cannot elect to join either Class T-E or T-F.

**11. Will the employer contribution stay the same for all membership classes?**

Regardless of the membership class for employees, employer rates do not change with the election to Class T-E. The employer contribution rate is set by the Board each December and is the same for all employees. For the 2011-12, it is 8.65% of the total payroll.

**12. If someone who is qualified has a break in membership of 5 years and then returns, do they return to the same class they were in previously?**

A break in membership occurs when a member refunds or the inactive member period of two fiscal years has lapsed and they are not vested. A break in service is termination with no re-employment for a period that exceeds 90 days or a leave of absence great than the 2 year inactive period.

Membership Class is not impacted by breaks in membership with the exception of a Class T-C member returning into Class T-D. If a person has ever been a Class T-C or Class T-D member they will not be impacted by the new classes enacted with Act 120.

**13. Will we be getting a list of those employees that will be changed?**

No, you will not receive a listing of employees being converted in our system from Class T-D to Class T-E. These persons have not received information from PSERS notifying them of any membership classes since they have never been a member. Once an employee qualifies for membership you and the employee will be notified of their membership class. You will also be able to view Membership Class and Contribution Rate on approved Contract Records and Work Reports.

**14. Should we deduct the T-E contribution rate for new employees not knowing what their choice will be, since we deduct PSERS from all employees from their first pay?**

Act 120 specifically states that all new employees will be enrolled as Class T-E.

**15. Why can't there be a feature on the PSERS employer website that allows the employer to enter a new employee's SSN, with a response generated that states the class the new employee should be enrolled in? This would prevent errors received when contract records are uploaded after the payroll is already done.**

In the current Employer Web enhancements there is not a search feature whereby you enter a SS number and it immediately tells you the membership status. However in future "builds" we are looking at adding that feature.

**16. If an employee elects the TF class where the contribution rate will increase 7.5% to 10.3% is there also change to the employer contribution rate for that employee too?**

The employer contribution rate does not change; it will be only the member that is responsible for the difference between T-E to T-F.

## **Qualification**

**17. If an employee was qualified in the 2009-10 school year but not at the end of 2010-11, should they start the 2011-12 year as qualified or not?**

According to the Once Qualified, Always Qualified (OQAQ) rule, once a member qualifies for membership all service earned after the initial qualification will be considered qualified until their membership is broken. A break in membership occurs when the member refunds or the inactive member period of 2 fiscal years has lapsed and they are not vested. The member would have been qualified for the 2010-11 and all subsequent school years, unless subject to a break in membership, because he or she qualified in 2009-10.

**18. Once an employee is vested, do they remain qualified no matter how long the break in service or membership (i.e. greater than 2 full school years)?**

Yes, this statement is correct. Vested status supersedes all other qualification requirements. A Vestee or annuitant does not have their membership status expire.

**19. In reality, who is responsible for determining whether a person is qualified or not qualified - the employer or PSERS?**

There is a responsibility for both the employers and PSERS. When you are setting up a new employee in your payroll system, you have to indicate whether contributions must be withheld and what contribution rate to use. If you try to report WNC for a qualified member on a monthly Work Report, you will now receive an invalid record.

**20. If an employee doesn't work enough hours to qualify for PSERS and at year end, PSERS returns their money, can they ever buy back that time if they start with a school in the future?**

Yes, these non-qualified part time purchases will continue to be available to members. Members have one opportunity to purchase Non-Qualified Part-Time service. There is a 3 year window beginning July 1, 2011 for current active members to file an NQPT application. Current members who are inactive but return to active service after July 1, 2011, will have a 1 year window from their date of notification by PSERS to file an NQPT application. New members after July 1, 2011, will have a 1 year window from their date of notification by PSERS to file an NQPT application.

**21. It is our policy to withhold PSERS from all employees from day 1, regardless of anticipated qualification. Does that policy still make sense to you with the new rules?**

Yes, it actually makes even more sense now with the Act 120 rules. It's definitely a lot easier to withhold from Day 1. If the member has contributions withheld and doesn't reach qualification, PSERS will send a refund to the member for their non-qualifying member share. The school will receive a credit for their employer share on their statement, which occurs in January/February for the prior fiscal year.

**22. Are the limits still 500 hours or 80 days to qualify for the school year? Can we continue to hold off on withholding retirement until they reach these limits?**

For part time, hourly and part time, per diem employees, you can follow the 500 hour and 80 day guidelines until they have qualified once. After the initial qualification, however, members will be qualified from the first day/hour of service.

**23. If there is a part time, per diem substitute teacher this school year that did not reach their 80 days and they sub for you next school year, would they be considered a new employee?**

It depends on whether they are vested, superannuated, or were qualified in the previous 2 full school years. You can send an email to your ESC Rep, who can check the specific individuals in question.

**24. Will PSERS notify the employer when members should be added into the system?**

Yes, PSERS will be notifying employers when employees reach qualification via the CROQ report found on the Employer Web.

**25. How will an employer know if the employee has previously qualified? Will there be a streamlined way to verify that with PSERS?**

We are working with our IT Department to get a report for employers showing the employees who are qualified and those who are not qualified. We're hoping to have more information about this report during the sessions the week of June 20th.

There are also additions to the Employer Web in the form of web validations. For instance, if a person is qualified, the contract record will say contributions are required.

**26. If we have a part time, hourly substitute aide who at the end of year has reached the 500 hours in 10-11, then beginning in 11-12 they must start having the deduction taken?**

You should start taking retirement deductions now. Any member who works between 11/23/2010 and 6/30/2011 is considered qualified for fiscal year 2011, regardless of whether or not the member met the current qualification rules. As long as the member worked one day on or after November 23, 2010 it is qualifying time. Had they only rendered the one day of service pre-November 23, 2010 it would be non-qualifying.

**27. If an employee doesn't qualify in a school year, don't they get their contributions back at the end of that school year now?**

Employees who do not qualify, but who have had contributions deducted, will continue to receive a refund the following January/February. Employers also receive a credit on their statement for the contributions paid on that employee's earnings.

**28. If a person only coaches for the district and is being paid part time, salaried, do we collect retirement? How do we know how much service to give to a coach or other part time, salaried employee?**

If the employee is Part Time, Salaried and did not elect to waive membership, then they must contribute and be reported to PSERS regardless of their position. Calculating service time for coaches and all other part time, salaried employees has not changed. There is a calculation in the Employer Reference Manual; this will continue to be available in the updated Manual which will be published by 7/1/2011.

## **Impact on New Employees**

**29. Any suggestions on how we determine new employee status, how do we know what their prior PSERS qualifications (class) are? Will there be a way to look up the service time of new hires that are returning to the district or may have worked at a previous district. If their records are not easily accessible, how can we quickly determine how they should be set up?**

You will still have to contact PSERS to know how much service someone has in the system if you need this information prior to setting them up in your system. We are hoping to have a New

Hire Questionnaire out by July 1, 2011 as well, which he or she would be able to fill out and will include the questions you should ask when hiring a new employee.

**30. Are you saying for new employees who would be qualified as of 7/1/11 the contribution rates for employees and employers remain the same?**

Employer Contribution Rates change every year and are certified by the PSERS Board each December. The Employer Rate for the 2011-12 school year is 8.65%. Member Contribution Rates are established based on the Member's Class of Service. Employees' contribution rates do not change from year to year yet, but may in the future. We will address that at that time.

**31. How do we enroll new employees, hired prior to July 1, 2011 but not actively starting until Aug 2011?**

Contract Records for employees should have a start date equal to their first day of paid service. So, in the case of individuals who are hired prior to 7/1/2011 but won't start until August, you should indicate their start date as their first day of work in August.

## **T-F Election**

**32. Is it correct that employers will be responsible for collecting the additional contributions for an employee who elects Class T-F Membership?**

Yes, the employer will have to recoup the additional contributions owed if a member elects T-F. That is because these contributions have to go through your payroll, so they are tax-deferred and the employee's W-2 is correct.

**33. Do potential members hired after 6/30/11 have the option to elect T-F class from 1st day of service or 1st day of qualification?**

A potential member is a school employee who has not met the minimum service qualifications for membership. Potential members are those individuals reported as Part-Time hourly and Per Diem and therefore have not reached the 500 hours or 80 days in a single year once to qualify for membership. Once they meet qualification, then they will be able to elect Class T-F.

All members are automatically enrolled as Class T-E. The option to elect T-F will also be given to Members based on the date of qualification except that some members are qualified from the first day of service. Those qualified from first paid day of service at Full-Time Salaried, Full-Time Hourly, Full-Time Per Diem, and Part-Time Salaried individuals. New members will have a one-time opportunity to elect Class T-F within 45 days of receiving written notification from PSERS.

**34. Will the "catch up" withholdings be FIT exempt?**

Yes. The T-F contributions should be taxed the same way as normal contributions are.

**35. Will we have to send in an adjustment report like we do now if an employee changes to the TF class?**

No adjustments will be needed for the T-F Election process. You will be able to report additional contributions on your Work Reports.

**36. How will we know which month's work report the calculation owed was done through by PSERS and which ones we need to manually calculate ourselves due to a delay in mailings?**

The T-F contribution billings will be based on the most recent Work Report you have submitted to PSERS. You will have to look at the effective date, which will appear on the CROQ report, and determine which months still need to be calculated.

**37. So we wouldn't automatically enter them in the T-F class is that an option?**

All new employees must be entered as Class T-E until they opt to elect Class T-F.

**38. If an employee qualifies and elects T-F (i.e. substitute teacher), but does not work for the employer after the election is received, how does the employer collect the difference that has been billed for the new classification?**

If the member terminates employment and retro money is due from the T-F election, PSERS will bill the member.

**39. As a follow-up to the previous question, if the employee makes the election for T-F but does not have future pays coming because they have completed their school year, does that mean that we must wait until they return in Sept to collect the difference between the rates?**

Yes, if the employee is returning for the next school year, you will need to collect the contributions in September. If they are not returning, you should update their contract records to reflect a termination, and let your ESC Rep know.

**40. How do we go about collecting the difference in contributions when a member elects Class T-F?**

These payments need to be a pre-tax payroll deduction, and, therefore, must be run through your payroll system.

## **Furloughs & Leaves & Terminations**

**41. Teachers who are furloughed or long term subs and do have sub teacher position do they have to be placed on term status?**

No. If you have an employee who will be furloughed from a full time position, but will continue to sub for the district, you should end date their full time contract record and create a new contract record for their substitute position.

**42. If a furloughed employee is put on contract record of LEAVEN, do we need to do a term contract after 2 years or will PSERS do it?**

That is something we intend on doing for you. PSERS is working on something right now to add TRMNTN records to members who have not had any salary or service reported for them for 2 years. Currently, this is being tested in our test system and we expect to be able to use it with the live data later this summer.

**43. What constitutes the need for a leave record for those individuals on maternity leave? Some of the leave is paid, and some may be unpaid.**

For members on a maternity leave, or other FMLA leave, they should remain on an ACTIVE contract record until they run out of sick, personal, and vacation days. Once they are no longer being paid, then they should be put on a LEAVEN record.

**44. For furloughed teachers who receive their balance of contract over the summer, I would enter a LEAVEN contract equal to the last day worked with a BOC of 8/31, correct?**

Yes, however, the start date of the LEAVEN record would be the day after the last day worked. You would end date the ACTIVE record with the last day worked.

**45. We are eliminating our transportation department. Some of the employees are retiring but for the others should I TRMNTN them or LEAVEN their work status**

Because you know that all of these employees' positions are being eliminated with no chance of them returning under the same contract, you can enter TRMNTN records for all of them.

**46. We have Adult Education Teachers that work sporadically throughout the year. Sometimes it's a couple of weeks between classes; sometimes its months. Are we to create LEAVEN contracts every time they miss a pay period?**

As you would with a substitute teacher or any part time position, you would only need to enter a part time contract record.

## **Act 120 & Returning to Service**

**47. We have retirees that sub. Does that mean they qualify for their sub time? Do we withhold retirement from them beginning July 1, 2011?**

As long as the Retiree is still collecting a pension from PSERS, the Emergency Return to Service Guidelines still apply. You do not withhold contributions from any employee working in this capacity. It is when a retiree returns to active school service from retirement that they would be considered qualified from day 1 regardless of employment and wage type. See Emergency Return to Service Guidelines here:

<http://www.psers.state.pa.us/Publications/pamphlets/ReturntoServiceBooklet.pdf>.



**48. How is the employer notified when a retiree returns to service?**

If the employee has not notified you already, you will be notified that a retiree has returned to service when you try to submit your monthly reports with those individuals included on it. You will be informed that they have already been paid and to contact the Employer Service Center. One of the representatives will inform you that they are returning to service and to fill out and submit Form PSRS-1299, which can be found here:

<http://www.psers.state.pa.us/forms/f1299.pdf>

**49. If a member who was vested in Membership Class T-C and didn't work for two years, but then returned to service, what Class would she return into?**

Vested T-C members would come back in as Class T-D if or when they return to service.

**50. We were always told not to report any time in the retirement service after the member retired, that this would hurt their retirement wages. Does there have to be a shortage of applicants in order for a retiree to work?**

If the retiree is returning to service, their monthly retirement benefits cease, and you would report their wages and service for the length of the employment period. If the retiree is working due to an emergency, shortage, or in an extracurricular position under a separate contract, you do NOT report them to PSERS. A retiree may return to work and continue to receive retirement benefits if there is an employment emergency due to increased workload, a personnel shortage, or employment in an extracurricular position under a separate contract.

**51. Does there have to be a shortage of applicants in order for a retiree to be an advisor or coach?**

Extracurricular positions, or those where the employee performs at least 50% of the job outside of normal school hours, are not subject to the emergency or shortage provisions. Employment and the contract for the position should fall within the guidelines discussed on pages six and seven of this document:

<http://www.psers.state.pa.us/Publications/pamphlets/ReturntoServiceBooklet.pdf>

## **Waiving**

**52. Do part-time hourly or per diem employees still have the period when beginning employment still have the option to provide proof of retirement account and then opt out of PSERS?**

Yes, all Part-time employees (Salaried, Hourly, or Per Diem) may elect to waive PSERS membership within the first year of qualified employment as long as they possess one of the four IRA approved retirement accounts (Traditional IRA, Roth IRA, Simplified Employee Pension (SEP), or Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA). Based on new procedures being implemented by PSERS, a new "Waiving Membership" pamphlet is being developed and will be made available to Employers when it is published.

## Miscellaneous

- 53. When we are uploading contract records through NPAS, do we need to have new fields for the membership class (ex. T-C, T-E, etc.) and the contribution rate, and withholding: required, optional, waived?**

There are no changes to the format of the reports you will be uploading to the Employer Web. All additional fields will be added by PSERS after the reports are approved. These new fields will be viewable the day after a report is approved and will be covered in greater detail during the Employer Web Changes sessions later this month.

- 54. Is there a possibility of any local interactive sessions around the state?**

Unfortunately, at this time, we were unable to travel and conduct the typical workshops due to the implementation of Act 120. We are hoping to be able to resume these late in the summer. We will spend July trying to coordinate Workshops with intermediate units. Until then, individual questions can be provided to your ESC Rep.

- 55. If employers receive the credit for non-qualifying employees that you started contributions on from day one, can you explain what you mean about it being costly when employer rates begin to climb?**

As employer rates increase, so will the employer contribution share you will send in. There are some instances where employers know that the person will never qualify and therefore salary is reported as WNC.

- 56. If we have current Purchase of Service requests that are for time prior to 7/1/2011, should they be submitted prior to 7/1/2011?**

The Purchase requests do not have to be submitted prior to 7/1/2011, but it would be better to have the information sooner rather than later.

- 57. Are the new employer rates confirmed for the 2012 school year?**

Employer rates are set each December by the PSERS Board; currently the set employer rate for the 2011-12 school year is 8.65%.

- 58. How should payments made to employees who opt out of medical insurance coverage be reported to PSERS?**

Medical Insurance opt out payments should be reported as NRCC or not reported at all, and that will not change with the implementation of Act 120.