



Employers' Reference Manual – Chapter 15

Public School Employees' Retirement System

5 N 5th Street
Harrisburg PA 17101-1905
Phone 1.866.353.1844
Fax 717.772.3860
Email ContactESC@pa.gov
www.psers.pa.gov

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Purchase of Service (POS) – Employer Responsibilities

Purchase of Service for your school employees are separated into two different categories:

- School
- Non-School

Within the categories of service, there are several types. The types of **School** service are as follows:

1. Full-time¹
2. Part-time
 - a. Qualifying
 - i. Prior to 07/01/1976
 - ii. After 06/30/1976¹
 - b. Non-qualifying
3. Approved Leave of Absence
4. County Board of School Directors
5. USERRA Leave
6. Activated Military Leave

¹*These service purchases are not optional and are considered a correction of record (i.e., administrative error). As you know, PSERS membership is mandatory for full-time school employees. Starting July 1, 1976, PSERS membership became mandatory for qualifying part-time school employees unless waived. Employers and school employees do not have an option. The salary and service must be reported to PSERS and the respective retirement contributions paid.*

PSERS requires that contributions be withheld on all qualifying salary (including salary that had not been previously reported to the system nor had contributions withheld). The additional salary and contributions associated with the correction may not result in the member receiving additional service credit unless the service had not been reported and/or the member has not already been credited with the maximum of 1.00 service credit for the fiscal year.

*If the Reason Code UNCRDT is used, PSERS will not process this correction if the total qualifying salary amount is less than or equal to \$15.00 **and** if less than .01 additional service credit would be credited for the year.*

The types of **Non-School** service are as follows:

1. Maternity Leave (or forced termination due to a pregnancy prior to November 1, 1978)
2. County Commissioners
3. Intervening Military Leave
4. Non-intervening Military Leave
5. Out of State School Service
6. United States Government Service
7. County Nurse Service

If a school employee previously refunded his or her accumulated deductions, the PSERS member may reinstate the service credit. The service credit is categorized by the type of service refunded.

Fortunately, you, the employer, have a limited role in your school employees' purchase of service requests. If your school employee (i.e., current or former) rendered service under any of the School Service categories including two of the Non-School Service types of County Commissioners and Intervening Military Leave, you are obligated² to complete³ the POS forms. Both you and your school employee (i.e., current or former) will receive a *Statement of Amount Due* (SOAD) plus statutory interest from the first day the member should have been reported until the date PSERS received the completed application. Because you are considered an agent of PSERS for the receipt of POS forms, it is important that you date stamp the form the day the school employee hands you the application.

²The POS type 'Approved Leave of Absence' requires the employer to approve the purchase and the school employee must meet certain requirements. For more information on Approved Leaves of Absence, see Chapter 10: "Reporting – Leave of Absences."

³If you reported the salary/wages and the associated service units (i.e., days and/or hours) in the WNC (Wages No Contributions) field in your Work Report or Work Report Adjustment, you only need to indicate 'WNC already reported' on POS applications.

PSERS will review the application and determine whether or not the purchase is mandatory or optional.

- If the purchase is mandatory, you and your school employee are required to satisfy the debt.
- If the purchase is optional, your school employee has the option to rescind the purchase. If the school employee rescinds the purchase, you will be reimbursed any retirement contributions you paid.

Regardless of whether the service purchase is mandatory or optional, the service credit and debt will be posted to the respective accounts (i.e., member and employer) upon the approval of the purchase.

NOTE: In the event that an in-state or out-of-state employer or an out-of-state retirement system is unable or unwilling to certify a public school POS application and PSERS deems the evidence provided by the member to be “reasonable,” PSERS will accept the evidence and process a *Statement of Amount Due (SOAD)*.

Reasonable evidence may include but is not limited to social security records, payment stubs, and/or similar proof that the member’s service and salary reflected on the POS application is complete and accurate and that this service was public school service.

Reasons to Apply for Uncredited Service Early in Career

There are important benefits for the employer and the employee for applying to purchase service credit early in an employee’s career.

The employer will:

- Experience less difficulty locating records for former employees.

Note: Should you have difficulty locating former employee information, the employee’s social security records may assist you with the completion of the PSERS applications. Generally, social security records will be of assistance for service rendered prior to 1979 because the records are stored and provided to the employee in a quarterly breakdown for salary reported to the Social Security Administration (SSA). The employee can request this breakdown of reported salary information from the SSA and provide you with a copy. With this record, you may be able to determine the pay rate and the number of hours or days the employee actually worked. It is your responsibility to interpret and compile the social security records into fiscal (school) years. Do not just send the social security records to PSERS for interpretation.

- Pay less statutory interest due to a shorter interest accrual period.

The employee will:

- Meet the specific application time frame. Some POS types require the school employee to make application within a specific time period. If the school employee does not make application in a timely manner, the ability to make application is forfeited.
- Pay a lower purchase cost due to a shorter interest accrual period. If the employee elects to pay for the service credit in installment payments or the POS debt plan, interest will continue to accrue until the debt is satisfied or the employee dies or retires and an actuarial reduction is placed on the benefit. Your employee should contact PSERS for more information about the available POS Payment Plans.
- Reach eligibility to apply for a disability retirement benefit earlier.

- Qualify for vested status earlier.
- “Earn” higher death benefits during employment.
- Qualify for a regular (i.e., early or normal) retirement benefit earlier.
- The employee may qualify for premium assistance.

Employer’s Responsibilities for the Various POS Types

The employee must be active and meet the eligibility requirements to purchase the service except for former uncredited full-time service and qualifying part-time service rendered after June 30, 1976¹. The school employee should contact PSERS to discuss the POS types and the eligibility requirements for each. The employee who qualifies may purchase the following types of service credit:

Return of Withdrawn Contributions

A *Return of Withdrawn Contributions* (PSRS-696) application should be completed to apply for this type of service purchase.

An employee who has returned to service as an active member may restore his or her refunded service credit. To restore the service credit, the member must repay or accept a debt for the contributions and interest refunded plus statutory interest.

There is no additional financial obligation for the employer because you paid the retirement contributions at the time the school employee rendered the service.

Former Uncredited Full-Time Service

A *Purchase of Former Uncredited Full-Time Service* (PSRS-27) application should be completed to apply for this type of service purchase. For the definition of full-time Service, see Chapter 2: “Membership – Mandatory, Optional, and Prohibited.”

Former uncredited full-time service is service rendered in a Pennsylvania public school system as an employee, for which no contributions were reported to PSERS. This purchase is considered a correction of record and is mandatory.

Note: If the employee was working in a charter school, community college or university and was participating in another approved retirement program provided by the employer during that same time, the rendered service is not eligible for purchase through PSERS.

If an employee is not eligible to participate in another approved retirement plan, or voluntarily chooses not to participate, then participation in PSERS is mandatory.

There is a financial obligation for the employer. The employer must contribute the Employer Share. This share is based on the salary earned by school employee multiplied by the Employer Contribution Rate in effect during the fiscal (school) year the service was rendered.

Former Uncredited Part-Time Service

A *Purchase of Former Uncredited Part-Time Service* (PSRS-100) application should be completed to apply for this type of service purchase. For the definition of Part-Time Service, see Chapter 2: “Membership – Mandatory, Optional, and Prohibited.” If you have already reported the information to PSERS, indicate that the information has already been submitted; your school employee’s name and social security number, employer name, and the authorized signatures are the only information required on the form.

Former uncredited part-time service for which no contributions were reported may be either qualifying or non-qualifying. In July 2004, PSERS changed its reporting requirements for part-time employees. PSERS required the employer to report the salary/wages and service units (i.e., days or hours) from the first day of employment; the employer has the choice to deduct retirement contributions from the first day of employment or the first day of qualifying employment. If the employer chose not to withhold retirement contributions until the member qualifies, PSERS will bill the employer and the member for the retirement contributions due on the salary/wages earned. PSERS will make the determination whether the service time is qualified or non-qualified at the end of a fiscal year or upon the receipt of the *Purchase of Former Uncredited Part-Time Service* application.

Effective with the fiscal year 2014, PSERS began automatically billing you and the member for retirement contributions where the wages were reported in the WNC field on the Work Report. You need to make sure that wages reported in the WNC field are accurate because there is no review of the data prior to the generation of the *Statement of Amount Due* that is sent to you and the member.

Note: An employee of a charter school is not able to purchase service credit if the employee was participating in another approved retirement program provided by the employer during that same time.

If an employee is not eligible to participate in another approved retirement plan, or voluntarily chooses not to participate, then participation in PSERS is mandatory.

The employer may have a financial obligation. The determination regarding your financial obligation is related to the type of part-time service and when the service was rendered by the school employee.

Qualifying Part-Time Service

There is no financial obligation if the school employee rendered the service prior to July 1, 1976.

There is a financial obligation if the school employee rendered the service after June 30, 1976. The employer must contribute the Employer Share. This share is based on the salary earned by school employee multiplied by the Employer Contribution Rate in effect during the fiscal (school) year the service was rendered.

Non-Qualifying Part-Time Service

Employees with newly qualifying membership in PSERS who begin employment on or after July 1, 2011 have one-year from the date that PSERS sends notification to employees of this opportunity to purchase Non-Qualifying Part Time (NQPT) service. Members must be active to apply for purchase. There is no financial obligation for the employer regardless when the service was rendered by the school employee.

Approved Leave of Absence

An *Application to Purchase Credit for an Approved Leave of Absence* (PSRS-112) application should be completed to apply for this type of service purchase.

Approved leave of absence is defined as leave granted by the employer and approved by the school board. For more information on Approved Leaves of Absence, see Chapter 10: "Reporting Leave of Absences."

Outlined in Chapter 10 are the financial obligations of the employer, but generally, the employer is responsible for the Employer Share of the retirement contributions. The determination is made by PSERS based on the reporting and type of Approved Leave of Absence being purchase. The financial obligation determination is also based on whether the purchase is a correction of record or a true purchase of service.

Maternity Leave of Absence

A *Purchase of Maternity Leave of Absence* (PSRS-1127) application should be completed to apply for this type of service purchase.

The provisions of the legislation that allow for the purchase of a maternity leave specifically state that the leave had to be the result of the employee's pregnancy. Up to two years of credit per leave may be purchased, provided the maternity leave started prior to November 1, 1978. Adoptions and child rearing leaves are not eligible for this type of purchase.

There is no financial obligation for the employer related to this leave.

Service with a County Board of School Directors

A *Purchase of Former Uncredited Full-Time Service* (PSRS-27) or a *Purchase of Former Uncredited Part-Time Service* (PSRS-100) application should be completed to apply for this type of service purchase. For the definition of full-time Service, see Chapter 2: "Membership – Mandatory, Optional, and Prohibited."

Credit for former service with a County Board of School Directors may be purchased by an active contributing PSERS member (employee) if the employee is not now nor in the future eligible for an annuity from the county.

There are two types of County Board Service:

1. School service (hired and paid by County Board of School Directors).
 - a. **Full-time service**-- The employee will be billed for only the employee's share. The Intermediate Unit that absorbed the County Board of School Directors must pay the employer's share.
 - b. **Part-time service**--The employee will be billed for only the employee's share. The employer's share will not be billed because all service is before 1975.
2. Non-school Service (hired and paid by County Commissioners). Only full-time service may be purchased.

County Board of School Directors

There is no financial obligation for the employer because the school employee rendered the part-time service prior to July 1, 1976.

There is a financial obligation for the employer if the school employee rendered full-time service regardless of the fiscal (school) year. The employer must contribute the Employer Share. This share is based on the salary earned by school employee multiplied by the Employer Contribution Rate in effect during the fiscal (school) year the service was rendered.

County Commissioners

There is no financial obligation for the employer.

Military Service

USERRA Military Service

A USERRA *POS Eligibility Letter* will be sent to the member. The letter should be completed and returned to apply for this type of service purchase.

USERRA is the federal Uniformed Services Employment and Reemployment Rights Act of 1994. A member (employee) must have been a school employee immediately preceding an induction into the armed services or forces and must have been on a military leave of absence beginning on or after July 1, 2013, to be eligible to purchase USERRA military service.

The employee must have returned to public school employment within the USERRA return requirements to be eligible to purchase USERRA Military Leave.

There is a financial obligation for the employer. The employer must contribute the Employer Share. This share is based on the salary earned by school employee multiplied by the Employer Contribution Rate in effect during the fiscal (school) year the service was rendered.

Activated Military Service

A *Purchase of Intervening or Activated Military Service* (PSRS-1305) application should be completed to apply for this type of service purchase.

An employee on activated duty on or after July 1, 1990, but prior to July 1, 2013, may continue to make contributions to PSERS or may choose not to make contributions to PSERS during the leave. ***See USERRA Military Service in the previous section for military leaves initiated after June 30, 2013.***

If contributions were not made during the leave:

- The employee needs to apply to PSERS after the return from the leave to purchase credit.
- Interest will not be charged until five years from the date of the original billing.

There is a financial obligation. Employers are required to continue making employer contributions during the period of leave regardless of the employee's election to continue making retirement contributions.

The public school employer may request a refund of employer contributions with valuation interest if the member:

- Does not return to service.
- Does not return to service for the necessary time.
- Receives an undesirable, bad conduct or dishonorable discharge.
- Does not elect to make the purchase and receive service credit.

Intervening Military Service

A *Purchase of Intervening or Activated Military Service* (PSRS-1305) application should be completed to apply for this type of service purchase.

The PSERS member must have been a school employee immediately preceding an induction into the armed services or forces and must have been on a military leave of absence to meet a draft obligation to be eligible to purchase intervening military service.

The employee must have returned to regular full-time school service within 90 days of release from active military service.

There is a financial obligation for the employer. The employer must contribute the Employer Share. This share is based on the salary earned by school employee multiplied by the Employer Contribution Rate in effect during the fiscal (school) year the service was rendered.

Non-Intervening Military Service

A *Purchase of Non-Intervening Military Service* (PSRS-28) application should be completed to apply for this type of service purchase.

If the school employee served in the Armed Forces prior to becoming a PSERS member, the school employee may purchase non-intervening active duty military service credit, provided the employee has three years of credited school service and salary in PSERS after the military service was rendered.

An employee may purchase up to a maximum of five years of active duty military service.

An employee may not purchase more military service credit than the employee has credited PSERS school service.

An employee who is receiving a military pension may be able to purchase up to five years of non-intervening military service if the military pension is not based solely on active service.

There is no financial obligation for the employer. The employee will be required to pay both the employee and employer normal contributions. If the payment is not made in a lump sum within the time frame stated on the *Statement of Amount Due*, additional interest continues to accrue until the entire debt is paid.

Out-of-State School Service

A *Purchase of Out-of-State Service* (PSRS-278) application should be completed to apply for this type of service purchase.

Out-of-state service is public school employment rendered in another state and covered by that state's public retirement system.

There is no financial obligation for the employer. The employee will be required to pay both the employee and employer normal contributions. If the payment is not made in a lump sum within the time frame stated on the *Statement of Amount Due*, additional interest continues to accrue until the entire debt is paid.

United States Government Service

A *Purchase of United States Government Service* (PSRS-600) application should be completed to apply for this type of service purchase.

United States Government Service is defined as service rendered as an administrator, teacher, or instructor in the field of public school education teaching school-age children for any agency or department of the United States government, whether or not such area is under the jurisdiction of the United States, may be purchased.

A maximum of 12 years may be purchased. A combination purchase of out-of-state and government service may not exceed a total of 12 years.

The government agency for which the service was performed must complete the remainder of the application. The personnel officer of the agency must sign the application and attach a copy of the job description.

A department or agency of the United States Government must have paid the salary received.

There is no financial obligation for the employer. The employee will be required to pay both the employee and employer normal contributions. If the payment is not made in a lump sum within the time frame stated on the *Statement of Amount Due*, additional interest continues to accrue until the entire debt is paid.

Pennsylvania County Nurse Service

A *Purchase of Pennsylvania County Nurse Service* (PSRS-708) application should be completed to apply for this type of service purchase.

This is for service rendered as a nurse employed by a county in Pennsylvania. The county entity that employed the nurse must complete the application.

There is no financial obligation for the employer. The employee will be required to pay both the employee and employer normal contributions. If the payment is not made in a lump sum within the time frame stated on the *Statement of Amount Due*, additional interest continues to accrue until the entire debt is paid.

Purchase of Service Credit Quick Reference for Employers

Type of Service	Application Required	Employers' Responsibility for Forms	Employers' Responsibility for Payment
Approved Leave of Absence	PSRS-112 <i>Application to Purchase Credit for an Approved Leave of Absence</i>	Part C Employment Information; Part D Employer Certification	Employer Share of Contributions plus interest
Full-Time Uncredited Service	PSRS-27 <i>Purchase of Former Full-Time Uncredited Service</i>	Part D Employment Information; Part E Employer Certification	Employer Share of Contributions plus interest
Part-Time Uncredited Service - Qualifying	PSRS-100 <i>Purchase of Former Part-Time Uncredited Service</i>	Part E Employment Information; Part F Employer Certification	Employer Share of Contributions plus interest
Part-Time Uncredited Service - Non-Qualified	PSRS-100 <i>Purchase of Former Part-Time Uncredited Service</i>	Part E Employment Information; Part F Employer Certification	None
Pennsylvania County Nurse Service	PSRS-708 <i>Purchase of Pennsylvania County Nurse Service</i>	Part C Employment Information; Part D Employer Certification	None (Member pays both shares)
Maternity Leave of Absence	PSRS-1127 <i>Purchase of a Maternity Leave of Absence</i>	None	None (Member pays both shares)
Military Service: <ul style="list-style-type: none"> Activated Intervening 	PSRS-1305 <i>Purchase of Intervening or Activated Military Service</i>	Part C Employment Information; Part D Employer Certification	Employer Share of Contributions plus interest
Military Service: <ul style="list-style-type: none"> USERRA 	USERRA POS Eligibility Letter to Member	None (Reporting of salary (WNC) and service units (days and/or hours) occurred during USERRA Military Leave period)	Employer Share of Contributions plus interest
Military Service: <ul style="list-style-type: none"> Non-Intervening 	PSRS-28 <i>Purchase of Non-Intervening Military Service</i>	None	None (Member pays both shares)

Out-of-State Service	PSRS-278 <i>Purchase of Out-of-State Service</i>	PA employer: None Out-of-State employer: Part C Employment Information; Part D Employer Certification Out-of-State retirement system: Part E Retirement Information; Part F Retirement System Certification	None (Member pays both shares)
Return of Withdrawn Contributions	PSRS-696 <i>Application to Return Withdrawn Contributions (Return of Refund)</i>	None	None (Employer share was paid at time service was rendered)
United States Government Service	PSRS-600 <i>Purchase of United States Government Service</i>	Part C Employment Information; Part D Employer Certification	None (Member pays both shares)