GUIDE FOR

RETIRING MEMBERS

pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM

www.SERS.pa.gov | 1.800.633.5461

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RETIREMENT BASICS

INTRODUCTION

If you are eligible for monthly pension payments, this guide is for you.

When you leave state employment, whether to retire or work elsewhere, you have a number of decisions to make regarding your SERS retirement benefit. Researching and considering all of your options before you terminate employment will give you the most time to make those important decisions, many of which cannot be changed later.

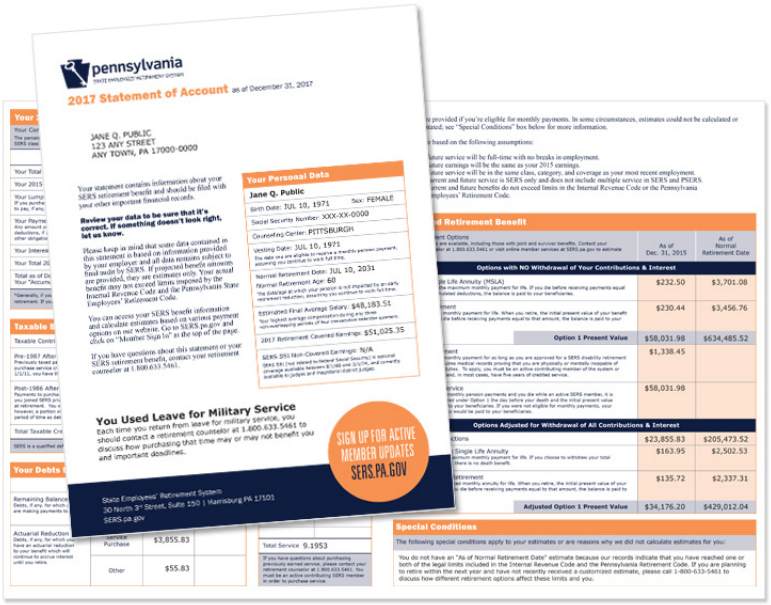
Prior to your last day of employment, you will meet with a SERS retirement counselor to complete an application that documents all of your final answers to those important decisions. Simply leaving state employment will not start the process – you must apply for your pension in order to receive it.

Working through the questions in this guide will help prepare you for the important decisions you will make when you meet with your retirement counselor and file your retirement application.

Your Annual Statement – A Helpful Tool for Retirement Planning

Each year we prepare a benefit statement for you, listing the service credit you earned, contributions you made, and the interest you earned on your contributions over the course of the prior year.

If you are eligible for monthly pension payments, your annual statement also includes estimates of your retirement benefit calculated to several different payment options.



We mail your benefit statement to your home each March and a duplicate is available on your online member account at www.SERS.pa.gov.

Reviewing the benefit estimates on your most recent statement and working through this guide are your best first steps in retirement planning.

RETIREMENT ELIGIBILITY

Generally, if you became a SERS member:

- **Before Jan. 1, 2011,** you are eligible for monthly pension payments after working five years. This is commonly referred to as being "vested" in the pension system.

  If you have already reached SERS normal retirement age, or the age at which you are eligible for a pension that is not reduced for early retirement, you are eligible for monthly pension payments after working three years.

  SERS normal retirement age for you is 60 or 50 depending on your class of service and is listed on your annual member statements.

- **On or after Jan. 1, 2011,** you are eligible for monthly pension payments after working 10 years. This is commonly referred to as being "vested" in the pension system.

  If you have already reached SERS normal retirement age, or the age at which you are eligible for a pension that is not reduced for early retirement, you are eligible for monthly pension payments after working three years.

  SERS normal retirement age for you is 65 or 55 depending on your class of service and is listed on your annual member statement.

Are You Unable to Perform The Duties of Your Current Position?

If you are physically or mentally unable to perform the duties of your current position, you may be eligible for a SERS disability retirement benefit. The disability retirement benefit is unreduced for early retirement and those qualifying are eligible for majority state-paid medical coverage through the REHP (Retired Employees Health Program) if they were enrolled in the Active Employees Health Program (AEHP) while employed.

To be considered for a SERS disability benefit, you must apply **before** you terminate employment, have five years of credited service (not a requirement for PSP troopers and enforcement officers), and submit a *SERS Medical Report Form* completed by your doctor documenting your injury or illness. More information on this benefit is in *SERS' Disability Retirement Guide* available at www.SERS.pa.gov and through your retirement counselor.

RETIREMENT ELIGIBILITY

If you are eligible for monthly pension payments, you have two choices:

- **You can apply for your pension now.**
  If you haven't yet reached SERS normal retirement age, your benefit could be reduced for early retirement. The further you are from SERS normal retirement age, the greater the reduction. (See Early Retirement Reduction, pg. 14 for more details.) If you choose to apply for your pension now, continue through this guide.

- **You can delay applying for your pension.**
  Your contributions will remain in the SERS fund and continue to accrue interest until you choose to apply for your pension. Your benefit will increase as you approach SERS normal retirement age. (See pg. 18 for more information.)

Were You Involuntarily Terminated From Your Job?

If you successfully challenge your termination and are reinstated to state employment after receiving retirement benefit payments, you will be required to return all of those payments.

If you are not eligible for monthly pension payments, you have two choices: you can do nothing, or you can request a refund of the contributions you made toward your SERS pension by calling 1.800.633.5461. If you do nothing, your contributions will remain in the SERS fund and they will stop earning interest 90 days after your employment ends.

KEY PLAYERS IN YOUR RETIREMENT

As you prepare for retirement, please be aware that different aspects of your retirement planning are addressed by you, your agency's human resources office, and your SERS retirement counselor.

Your responsibilities:

- Understanding your SERS retirement benefit.
  Key resources include the SERS website, www.SERS.pa.gov, including three online calculators -- the generic SERS benefit calculator, custom SERS benefit calculator and Federal Tax Withholding Calculator -- the member handbook, *SERS News*, your annual member statements, and fact sheets on various topics.
- Contacting SERS in advance of your retirement.
- Giving your employer written notice of your retirement, in accordance with its policies.
- Seeking professional financial and or tax advice.
- Keeping your home address up-to-date with SERS.
  As an active employee, notify your employer if your address changes. Employers submit address information to us each time they transfer payroll data.
- Being prepared for your retirement counseling appointment.
  As you work through this guide, write down questions for your retirement counselor. Bring required documents, such as date of birth documentation, to your counseling appointment.

Your employer's responsibilities:

- Processing leave payouts.
  Leave payouts are eligible for deferral into the commonwealth's Deferred Compensation Program (DCP), within current IRS annual deferral and catch-up limits.
- Processing your final pay transaction.
  Your retirement cannot be processed until your final pay transaction is complete. This can be delayed if you have a debt to your employer, for example, overdrawn leave.

SERS' responsibilities:

- Providing you retirement benefit estimates.
- Providing you one-on-one retirement counseling.
- Discussing each item on your retirement application so that you have an opportunity to ask questions before signing and filing your application with your SERS retirement counslor.
- Providing counseling if you are interested in purchasing prior service.
- Counseling you about the Retired Employees Health Program (REHP).

MAJOR ELIGIBILITY MILESTONES

Based on Years of Credited Service

3 Years	If you have reached your SERS normal retirement age, you are eligible for an unreduced retirement benefit (SERS normal retirement age is 65, 60, 55, or 50, depending on your class of service).
5 Years	If you are physically or mentally unable to perform the duties of your current position, you are eligible to apply for a SERS disability retirement benefit. Those who qualify are eligible for majority state-paid medical benefits in the Retired Employees Health Program (REHP), if enrolled in the Active Employees Health Program (AEHP) while employed. In most cases, if you were a SERS member prior to 2011, you are eligible for monthly pension payments (that may be reduced for early retirement), the right to delay monthly payments, and a death benefit to be paid to your designated beneficiaries after your death.
10 Years	If you entered SERS membership on or after 1/1/11, you are eligible for monthly pension payments (that may be reduced for early retirement), the right to delay monthly payments, and a death benefit to be paid to your designated beneficiaries after your death.
20 Years	If you are enrolled in the Active Employees Health Program and you retire after reaching your SERS normal retirement age (age 65, 60, 55, or 50), you may be eligible for majority state-paid medical benefits in the Retired Employees Health Program.*
25 Years	If you are enrolled in the Active Employee Health Program, you may be eligible, regardless of age, for majority state-paid medical benefits in the Retired Employees Health Program.*
35 Years	If you entered SERS membership prior to 2011, or you entered SERS membership on or after 1/1/11 and your age plus years of credited service totals at least 92, you are eligible for an unreduced retirement benefit at any age.
41 Years	You may be eligible for a long service supplement of up to 2% for each full year of service over 40 years - up to five years for a maximum increase of 10%.

* REHP benefits are collectively bargained and are subject to change.

GENERAL STEPS TO PREPARE FOR RETIREMENT

If you are considering retirement due to health issues, discuss the SERS disability retirement benefit with your retirement counselor **before** you terminate employment.

Contact your retirement counselor for retirement benefit estimates and counseling.

Benefit Estimates

You can calculate pension estimates based on any future retirement date and based on various benefit payment options listed on pages 19 – 21, using our online Custom SERS Benefit Calculator. The calculator pulls your actual retirement benefit information from SERS records. As a result, you will need to sign into your secure member account at www.SERS.pa.gov to use the calculator.

Your SERS retirement counselor can also provide you with written benefit estimates.

If you have previous service that may be purchased toward your SERS pension, your retirement counselor can provide you with retirement estimates calculated with and without purchasing the service.

Prior to your counseling appointment

- Review your retirement benefit estimate thoroughly.
- Consider all of your benefit payment, health insurance, and tax withholding options.
- Prepare a list of questions.
- Gather necessary date of birth documentation and bring it to your appointment. If you will be selecting a benefit payment option that provides a monthly payment to a survivor after your death (Option 2, 3 or Special Option 4 with a survivor feature) also know your designated survivor's Social Security number and bring date of birth documentation for your designated survivor.
- You are encouraged to bring your spouse or anyone you wish to your retirement counseling appointment.

GENERAL STEPS TO PREPARE FOR RETIREMENT

Acceptable Date of Birth Documentation

An original or certified copy of either a birth certificate, passport, or baptismal certificate is preferred. If none is available, certified copies of any two items from the date of birth documentation list on page 9 will be accepted.

Employer Notification

Once you sign your retirement application, SERS will send a notification letter to your employer. While we send notification to your employer, it is your responsibility to give your employer written notice of your retirement in accordance with its policies.

Do You Have Overdrawn Leave or Other Debts?

Contact your HR Office to see if you have overdrawn leave or any other debt to your employer and work to satisfy those debts before you terminate employment.

Overdrawn leave, unreturned equipment or uniforms, or other debts to your employer will significantly delay payments from your SERS benefit. In addition, the commonwealth can claim the contributions you made toward your SERS benefit and the interest earned on those contributions to satisfy any debt you have when you leave state employment.

Direct Deposit Forms

Pension payments are made by direct deposit. If you work for an agency under the Governor's jurisdiction and you are paid by direct deposit, you can easily have your monthly pension payments paid according to the same direct deposit instructions. Your retirement counselor will provide you with a form that is preprinted with the direct deposit instructions currently on file in the SAP/IES payroll system. Please review that form for accuracy.

If you do not have direct deposit established within the SAP/IES payroll system, or you want to change your direct deposit instructions, your retirement counselor will provide you with a direct deposit form to complete and return to SERS. In this case, your withdrawal (if any), minus any rollover, and your first monthly pension payment will be mailed to your home address. This allows the state Treasury to send a test transaction to your financial institution to verify the accuracy of the direct deposit instructions. After a successful test transaction, your following pension payment will be sent by direct deposit to your financial institution.

RETIREMENT PLANNING CHECKLIST

1 year before retiring	☐ Submit your request to purchase state or non-state service credit toward your SERS pension. ☐ Contact your retirement counselor to request a retirement estimate and to discuss your retirement options.
At least 6 months before retiring	☐ Review your estimate thoroughly and contact your retirement counselor with any questions. ☐ Work through the questions in this guide, review your benefit estimates and make a list of questions. You may wish to consult an accountant, lawyer, or financial advisor. ☐ If you will be withdrawing your contributions and interest in a lump sum at retirement and rolling the taxable portion into a qualified plan, like the Deferred Compensation Program, your SERS retirement counselor will provide you with the rollover form, if applicable. ☐ While it is important to schedule your appointment well in advance to ensure a time with your SERS retirement counselor, it is our practice to meet with you and finalize your retirement application no more than 60 days prior to your last day of employment. ☐ Contact your HR office to see if you have overdrawn leave or other debt to your employer and work to satisfy that debt **before** you terminate employment.

RETIREMENT COUNSELING PREPARATION CHECKLIST

☐ **List of questions**

If you have any questions about information in this guide, write them down and discuss them with your retirement counselor **before** completing your retirement application. Feel free to bring your spouse, financial planner, or other trusted person to your appointment.

☐ **Date of birth documentation**

The original or a certified copy of your birth or baptismal certificate or passport is preferred. If you do not have one of those, bring two other documents, in order of preference:

1. Selective service record
2. Armed forces discharge
3. School record
4. Life insurance policy
5. Naturalization record
6. Alien registration record
7. Marriage record listing birth date or age and the date of the record
8. Estimate letter from the Social Security Administration showing birth date
9. Federal census record (taken as close to age five as possible)
10. Physician's or midwife's record of birth
11. Valid driver's license
12. State-issued non-driver photo identification card
13. Bible or other family record

If you bring an original document, we will certify a copy and return the original to you.

If you plan to select a payment option that provides a monthly payment to someone after your death (monthly payment Option 2, 3, or Special Option 4 with a survivor feature – see pages 19-21) you will also need to bring date of birth documentation for your designated survivor, as well as their Social Security number.

☐ **Federal income tax information**

Be prepared to complete a W4-P form indicating your income tax filing status (married or single and the number of dependents) and withholding instructions so that we know how much money, if any, you want withheld from your pension payments for federal income tax purposes.

RETIREMENT COUNSELING PREPARATION CHECKLIST

☐ **Direct deposit form**

Pension payments are made by direct deposit.

If you work for an agency under the Governor's jurisdiction, your retirement counselor will provide you with a direct deposit form preprinted with your current direct deposit instructions.

If you do not work for an agency under the Governor's jurisdiction, you can complete a direct deposit form, available at www.SERS.pa.gov or you can obtain the form by calling 1.800.633.5461. You will ned to bring the completed form to your retirement application signing appointment.

☐ **Dependent information**

If you will be enrolling in the Retired Employees Health Program (REHP) medical coverage (see pages 27-29) and including dependents on your coverage, you will need the list of dependents, their addresses, dates of birth, Social Security numbers, and information on other health insurance coverage you or they may have.

If you are adding dependents who were not listed on your active employee health coverage, you will also need their birth certificate (see pg. 9 for more information on date of birth documentation).

If you or any of your dependents are covered by Medicare, you will need to bring your Medicare cards to your signing appointment.

☐ **Rollover form**

If you are planning to roll any payments into an IRA or other qualified plan, contact your SERS counselor to request a rollover form, by calling 1.800.633.5461, and bring it to your retirement counseling appointment.

SERS REGIONAL COUNSELING CENTERS

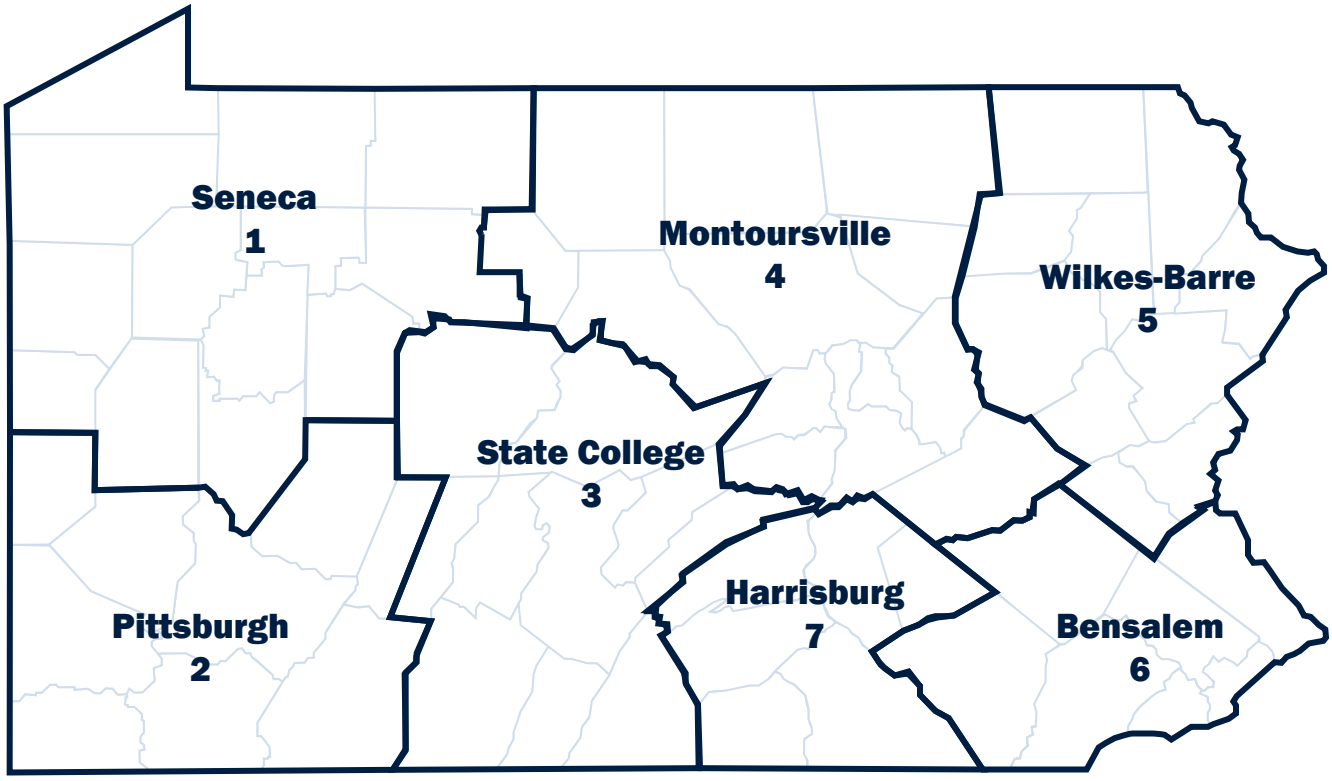
SERS has seven regional retirement counseling centers throughout the commonwealth, assisting members with their retirement-related needs. Our centers serve active members based on their work locations and retirees based on their home addresses. Centers are accessible to people with disabilities and are open 8:00 a.m. to 4:30 p.m., Monday through Friday, excluding state holidays.

All SERS retirement counseling matters are confidential. If you contact your retirement counselor, please provide your contact information on all communications.

If you don't live in Pennsylvania, please call 1.800.633.5461.

Protect Your Personal Information

Please do not e-mail sensitive personal or financial information, including your Social Security number. SERS will only send you general information through e-mail.



SERS REGIONAL COUNSELING CENTERS

Region 1: Seneca

3224 State Route 257 | Duawl Professional Plaza
P.O. Box 1561 | Seneca, PA 16346
Ph: 814.677.0741

Counties Served:
Armstrong, Butler, Clarion, Crawford, Elk, Erie, Forest, Jefferson, Lawrence, McKean, Mercer, Venango, Warren

Region 2: Pittsburgh

Foster Plaza 6 | Suite 330
681 Andersen Drive | Pittsburgh, PA 15220
Ph: 412.770.1148

Counties Served:
Allegheny, Beaver, Cambria (Western), Fayette, Greene, Indiana, Somerset, Washington, Westmoreland

Region 3: State College

2525 Green Tech Drive | Suite AA
State College, PA 16803
Ph: 814.863.6505

Counties Served:
Bedford, Blair, Cambria (Eastern), Centre, Clearfield, Franklin, Fulton, Huntingdon, Juniata, Mifflin

www.SERS.pa.gov
1.800.633.5461

Region 4: Montoursville

93 Pierce Lane
Montoursville, PA 17754
Ph: 570.368.5680

Counties Served:
Bradford, Cameron, Clinton, Columbia, Lycoming, Montour, Northumberland, Potter, Schuylkill, Snyder, Sullivan, Tioga, Union

Region 5: Wilkes-Barre

15 Public Square | Suite 410
Wilkes-Barre, PA 18701
Ph: 570.829.0632

Counties Served:
Carbon, Lackawanna, Lehigh, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, Wyoming

Region 6: Bensalem

Greenwood Square | Suite 420, Building 2
3331 Street Road | Bensalem, PA 19020
Ph: 215.244.6592

Counties Served:
Berks, Bucks, Chester, Delaware, Lancaster, Montgomery, Philadelphia

Region 7: Harrisburg

30 North 3rd Street | Suite 319
Harrisburg, PA 17101
Ph: 717.783.9065

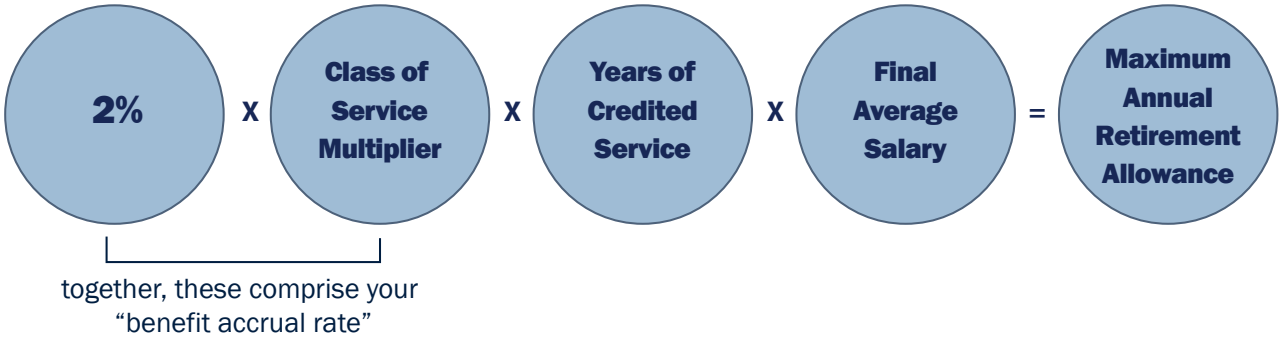
Counties Served:
Adams, Cumberland, Dauphin, Lebanon, Perry, York

BASIC BENEFIT CALCULATION

As a member of SERS, you belong to a defined benefit pension plan. That means the amount of your pension is defined by a calculation that considers your years of service, salary, age, and job or class of service in the pension system.

After you meet certain vesting criteria, you are eligible to receive monthly pension payments for as long as you live.

The basic benefit calculation is:



Class of Service Multiplier

Your class of service is determined largely by when you were hired and the work that you do. In most cases, your class of service will be determined by when you were first hired as a state employee. Your class of service is listed on your annual member statement.

If you leave state service and later return, it is very important that you let your HR Office know.

Your class of service multiplier x 2% equals your ***benefit accrual rate***. This is one of the most common sources of confusion about SERS' pension benefits. In short hand, people will often say, "I have a 2.5% multiplier." In fact, the law provides a class of service multiplier of 1.25 that, when plugged into the formula and multiplied by 2%, yields a benefit accrual rate of 2.5%.

BASIC BENEFIT CALCULATION

Years of Credited Service

You are credited with one year of service when you work 1,650 hours or more in a calendar year. If you work less than 1,650 hours, you are credited with a fraction of a year equal to the number of hours you worked divided by 1,650.

Final Average Salary

Your final average salary is the highest amount you earned during any "three non-overlapping periods of four consecutive calendar quarters." For most employees, it is the average of your last three years' salary.

Your estimated final average salary is listed on your annual member statement.

Early Retirement Reduction

Once you are vested in the system, you can retire prior to your SERS normal retirement age; however, your pension payment will be reduced for early retirement. The early retirement reduction averages about 3-6% for each year you are away from the SERS normal retirement age. The earlier you retire, the greater the reduction.

Your SERS normal retirement age is listed on your annual member statement.

No Automatic COLAs

It is important to keep in mind that the Retirement Code does not provide for automatic COLAs or cost of living adjustments. As a result, you should plan that your pension payments will never increase in retirement.

YOUR IMPORTANT RETIREMENT DECISIONS

CAN I PURCHASE PREVIOUS SERVICE?

You might have service that you could purchase toward your SERS pension. Have you ever served in the military or were on active duty with the National Guard? Were you a member of SERS in the past, but you left state service before you were eligible for a pension so you withdrew your contributions? Have you ever worked for a Pennsylvania public university or community college or an out-of-state public educational institution?

If you have, you may be able to purchase that service as "credited service" toward your SERS pension.

One factor in the formula used to determine the amount of your pension is "years of credited service." The more years of credited service you have, the greater your maximum annual pension. Service credit is also used to determine when you become eligible for monthly payments and other benefits, like a SERS disability retirement.

The retirement code allows active SERS members (currently employed by a SERS-participating employer) to purchase several types of service toward their SERS pension. When you purchase service, you pay the contributions owed for that service to be credited toward your SERS pension.

You can pay for your service purchase in one lump sum, partial lump sum with payroll deductions, payroll deductions over one to six years, or through a debt to your total pension benefit.

Discuss your work history with your retirement counselor to determine if your prior service can be purchased toward your SERS benefit. If so, you can request an invoice for that service and your retirement counselor will provide you with retirement estimates calculated with and without purchasing the service and payment options so that you can determine if purchasing the service will benefit you.

If you purchased service toward your SERS pension from another pension system, you will be asked to complete special forms on which you and your other pension system certify that you are not eligible to receive retirement benefits from that other retirement system.

WHEN AM I GOING TO RETIRE?

Review your financial needs and discuss your situation with your accountant, lawyer, and or financial advisor.

It normally takes approximately eight weeks to receive your first monthly pension payment after your last day of employment. Depending on your employer's pay schedule, you may receive "after-the-fact" pay two weeks after you terminate your employment. As a result, you should plan ahead to go six weeks between your after-the-fact pay and your first pension payment.

Consider the timing of your retirement. Retiring at the:

- **End of a year** could cause your leave payouts and your lump sum withdrawal (if applicable) to occur early in the next year, providing some income tax advantage. Receiving retirement money in the same year that you have a full year of wages could push you into a higher tax bracket. Keep in mind that very often, these payments can be rolled over into the commonwealth's Deferred Compensation Program (DCP) or other qualified plan.

- **End of a quarter** could increase your final average salary and, as a result, your maximum annual pension amount.

- **End of a pay period** will streamline the payment process.

Would it be better for me to defer pension payments?

If you haven't reached SERS normal retirement age for your current class of service, your benefit could be reduced for early retirement. The further you are from SERS normal retirement age, the greater the reduction.

In this case, you have the right to delay your application for your pension. If you do, you will not earn service credits, unless you return to work for an employer that offers the SERS benefit; however, your benefit will increase as you approach SERS normal retirement age -- age 65, 60, 55, or 50 depending on your class of service. Your retirement counselor will provide you with a benefit estimate calculated with the early retirement reduction and as if you delay your application until your SERS normal retirement age.

If you choose to delay your application, you must submit it within seven years of reaching your SERS normal retirement age or you waive your right to monthly payments. If you waive your right to monthly payments, you will only be eligible for a refund of your contributions and interest.

WHAT ARE MY MONTHLY PAYMENT OPTIONS?

Once you are eligible for monthly pension payments -- often referred to as being "vested" in the system -- you are entitled to receive a monthly pension payment for as long as you live.

While each payment option provides you with a monthly benefit for life, one provides the highest monthly payment, one ensures that the full amount to which you are entitled over your expected lifetime is paid to you and/or your beneficiaries, and others provide monthly payments to someone else for his or her lifetime after your death.

Each option provides a different death benefit. In some cases, the death benefit will be reduced with each monthly payment you receive, which could result in no benefit remaining after your death.

The monthly payment you receive and the death benefit payable under a particular option will be calculated based on your age. If you choose an option that provides a monthly payment to someone after your death -- a "survivor option" (Option 2, 3, or Special Option 4 with a survivor feature) -- the amount you and your designated survivor will receive will be based on both you and your designated survivor's age.

With few exceptions, after you file your application for annuity, you may not change your payment option. The only exceptions are listed on page 23-24.

If you first became a SERS member before 2011, you have the option to withdraw your contributions and interest at retirement in addition to receiving monthly pension payments for life. If you withdraw your contributions and interest, your monthly payments will be reduced.

When you retire, you must select one of the following monthly payment plans.

Maximum Single Life Annuity Option (MLSA)

This provides the highest monthly payment for as long as you live. Payments stop when you die. Your estate (or next of kin) will be paid the portion of your monthly benefit for the number of days that you were alive during the month in which you die. If you do not withdraw your contributions and interest at retirement, the balance of that amount – minus any payments that were made to you – will be paid to your beneficiaries.

If you choose this option, you cannot change it later for any reason.

HIGHEST MONTHLY PAYMENT OPTION

THESE PAYMENTS STOP WHEN YOU DIE

YOUR ESTATE WILL BE PAID FOR THE PORTION OF THE MONTH IN WHICH YOU DIED

YOUR BENEFICIARIES WILL RECEIVE THE BALANCE OF YOUR CONTRIBUTIONS

WHAT ARE MY MONTHLY PAYMENT OPTIONS?

Option 1

This provides you with a smaller monthly payment for as long as you live. Payments stop when you die. If the sum of all payments SERS makes to you is less than the initial value of your SERS benefit at the time you retired, then the difference – or "remaining present value" – will be paid to your beneficiaries. Some people find it helpful to think about this like a checking account; you start with a set amount and it is reduced by each monthly payment.

SMALLER MONTHLY PAYMENT THAN MSLA

THESE PAYMENTS STOP WHEN YOU DIE

YOUR BENEFICIARIES WILL RECEIVE THE BALANCE OF YOUR "REMAINING PRESENT VALUE"

If the sum of all payments totals more than the initial value of your SERS benefit at the time you retired, then your estate (or next of kin) will be paid the portion of your monthly benefit for the number of days that you were alive during the month in which you die.

If you choose this option, you cannot change it later for any reason.

Option 2

This provides you with a monthly payment for as long as you live and after your death, your "designated survivor" will receive the same amount that you were receiving each month for as long as he or she lives.

100% OF YOUR BENEFIT PAYMENTS CONTINUE FOR YOUR DESIGNATED SURVIVOR AFTER YOU DIE

If you select this option, your monthly payment will be smaller because we calculate the amount that would be necessary to pay specified payments for both of your expected lifetimes, taking into account both of your ages at the time of your retirement.

If you choose this option, you cannot change it later unless your survivor dies before you do, or you get married or divorced.

WHAT ARE MY MONTHLY PAYMENT OPTIONS?

Option 3

This provides you with a monthly payment for as long as you live and after your death, your "designated survivor" will receive one-half of the monthly payment you had been receiving for as long as he or she lives.

YOUR DESIGNATED SURVIVOR WILL RECEIVE 50% OF YOUR MONTHLY BENEFIT AFTER YOU DIE

If you select this option, your monthly payment will be smaller because we calculate the amount that would be necessary to pay specified payments for both of your expected lifetimes, taking into account both of your ages at the time of your retirement.

If you choose this option, you cannot change it later unless your survivor dies before you do, or you get married or divorced.

Special Option 4

This provides you with an option to craft your own payment plan, provided that it is certified to be actuarially equivalent to your maximum single life annuity and is approved by SERS prior to your retirement. If you are interested in this option, you are strongly encouraged to contact SERS at least 45 to 90 days prior to your desired retirement date.

This option is most commonly used to provide a survivor benefit that is different from 100% or 50% of your monthly pension amount, and in those cases when you must share your monthly pension with a former spouse in accordance with a SERS-approved domestic relations order.

CRAFT YOUR OWN PLAN AS LONG AS IT'S ACTUARIALLY CERTIFIED

CONTACT SERS 90 DAYS PRIOR TO YOUR RETIREMENT DATE

YOUR SURVIVOR BENEFIT CAN BE DIFFERENT THAN THE 100% OR 50% OPTIONS AND CAN ALSO BE SHARED WITH A FORMER SPOUSE

Payments

Monthly pension payments are payable on the last business day of each month.

ARE THERE BENEFIT LIMITATIONS?

The Retirement Code Section 5702(c) limits the amount you may receive in annual pension payments to no more than the highest compensation you received during any 12 month period as an active employee.

The Internal Revenue Code Section 415(b) limits the amount you may receive in annual pension payments to a specific dollar amount set by the IRS each year and adjusted according to certain factors including your age at retirement and the benefit payment option you select at retirement, among others. In 2016, the base limit is $210,000.

The limit became effective with the passage of the commonwealth's Act 2001-9; however, your total benefit will not be less than you would have received prior to passage of that legislation.

WHO WILL I NAME AS MY BENEFICIARY OR SURVIVOR?

Beneficiaries (MSLA, Option 1 & 4 with a death benefit feature)

If you choose the MSLA, Option 1, or Special Option 4 with a survivor feature, it is important that you designate one or more beneficiaries to receive any remaining benefit after your death by listing them on your application for annuity. This beneficiary nomination will become effective on your retirement date.

It is also important to keep your beneficiary designation up-to-date, especially after a change in your life such as the birth or adoption of a child, a marriage, divorce, or death of a spouse. In the absence of a beneficiary nomination form, the remaining benefit will be paid to your estate where it will likely be subject to estate taxes.

Guardian

If you name a beneficiary or survivor under the age of 18, you must also list his or her guardian, including the guardian's name and address on your application for annuity.

If you currently do not have a beneficiary form on file with SERS or your current form does not reflect your wishes, you can download an Active Member Beneficiary Nomination Form from SERS' website, www.SERS.pa.gov.

Whether your pre-divorce designation of your spouse as a beneficiary would be effective under the Pennsylvania Probate, Estates, and Fiduciaries Code will depend on the date of your designation and your state of residency at the time of death. If you designate your spouse as a beneficiary and later divorce, you should file a new form.

If you choose the MSLA option and withdraw all of your contributions and interest at retirement, your beneficiary designation is temporary. After SERS issues your first monthly pension payment and your withdrawal, this beneficiary nomination is no longer valid because no death benefit remains to be paid. SERS will pay your estate a portion of your monthly pension for the number of days you were alive in the month that you die.

Beneficiary Form

Take a moment to ensure that your beneficiaries are listed as you wish. You can visit www.SERS.pa.gov to download a new form or contact a counselor at 1.800.633.5461 if you have any questions.

WHO WILL I NAME AS MY BENEFICIARY OR SURVIVOR?

You also have the option to designate contingent beneficiaries to receive any remaining death benefit if, at the time of your death, all of your principal beneficiaries are deceased.

Survivor (Option 2, 3, and Special Option 4 with a survivor feature)
If you choose a payment option that provides a monthly benefit to someone after your death – Option 2, 3, or Special Option 4 with a survivor feature – you will list your survivor on your retirement application, including his or her full name, gender, address, date of birth, Social Security number, and relationship to you. You must also submit birth date documentation for your designated survivor, see pg. 9 for a list of acceptable forms of documentation.

Change of Option/Designated Survivor
You can change your designated survivor in only very limited circumstances after you retire. To be eligible, you must make your request within seven years of one of the following qualifying events:

- **Your designated survivor dies**
  In this case, no death benefit will be payable from your retirement. You may choose a new payment option. If you choose to again provide monthly payments to someone else after your death, your benefit will be recalculated taking into account your age and your new designated survivor's age at that time. That will result in a reduction of your monthly pension payments.

- **You divorce**
  Whether your pre-divorce designation of your spouse as your survivor would be effective under the Pennsylvania Probate, Estates, and Fiduciaries Code will depend on the date of your designation and your state of residency at the time that you die. In this case, contact SERS for more information.

- **You marry**

Temporary Contingent Beneficiary

(Options 2, 3, and Special Option 4 with a survivor feature)
If you choose a payment option that provides a monthly benefit to someone after your death – Option 2, 3, or Special Option 4 with a survivor feature – you have the option to name a temporary contingent beneficiary that will be effective from your retirement date until SERS issues your first monthly pension payment.

CAN I WITHDRAW MY CONTRIBUTIONS?

In most cases, if you became a SERS member prior to 2011, you have the option to withdraw all or a portion of the contributions you made toward your SERS pension and the interest you've earned on those contributions in a lump sum when you retire. If you choose a withdrawal, your monthly pension payments will be reduced.

You may choose to withdraw your contributions in one lump sum or in up to four installment payments, which will earn 4% interest annually, until paid.

Your contributions may include previously taxed and tax-deferred money, while all interest earned on your contributions is taxable.

If you have non-taxable money to withdraw, you may take that part in one lump sum at the same time you receive your first pension payment. You may want to consult a tax advisor to see if receiving installments will result in a lower federal income tax liability.

If you retire at the end of a calendar year, your withdrawal will be paid in the next calendar year, which may reduce your tax burden.

According to federal tax law, 20% of the taxable portion of your withdrawal must be withheld for federal income tax.

If you retire before the year in which you turn 55, the taxable portion of your withdrawal, including any future installment payments no matter when you actually receive them, will also be subject to an additional 10% federal excise tax penalty unless you roll the money into a traditional IRA or other qualified plan, like your deferred compensation account.

Tax Deferring Rollovers

If you roll your withdrawal into a traditional IRA or other qualified plan, like your deferred compensation account, you may delay paying federal income taxes on the money until you withdraw it from that qualified plan. That may be at a time when your tax liability is lower. Contact a tax advisor or financial planner to discuss the different tax consequences.

Age 70½ or Older?

If you reach age 70½ or older in the year you retire and you choose to withdraw any of your contributions and interest at retirement, federal tax law requires that you take a minimum amount or "minimum distribution" at retirement. The minimum distribution is calculated according to IRS tax tables and is not eligible for rollover to a qualified plan.

DO I WANT MONEY WITHHELD FOR FEDERAL INCOME TAX?

Generally, all payments from SERS are subject to federal income tax; however, payments are exempt from Pennsylvania state and local income taxes. If you move out of Pennsylvania, your payments may be subject to state and local taxes.

If you want money withheld from your monthly payments for federal income taxes, you will list your withholdings on your application for annuity, including, for instance, the number of allowances, your marital status and any additional amount you want withheld.

You can change your income tax withholding information at any time by filing a completed W4-P form with SERS.

Important Deferred Compensation Deadlines

Leave payouts are eligible for deferral into the commonwealth's Deferred Compensation Program (DCP), within current IRS annual deferral and catch-up limits.

If you are considering a leave payout deferral into the DCP, talk with your HR Office as soon as possible to determine when your leave payout will occur.

DCP participants must submit a signed Salary Deferral Agreement to the DCP administrator before the first day of the month in which you will receive your leave payout.

If you are not a DCP participant, you must first enroll in the program, which will require additional processing time, and then meet the above deadline.

WHAT ARE MY HEALTH CARE OPTIONS IN RETIREMENT?

In most cases, your active employee health coverage will end at midnight on your last day of employment. Your SERS retirement benefit does not include, and SERS does not offer, a retiree health care program. While different employers handle retiree health benefits in different ways, agencies under the Governor's jurisdiction and a few other employers offer the Retired Employees Health Program (REHP), run by the Governor's Office of Administration.

If you are enrolled or eligible to enroll in the Active Employees Health Program (AEHP), administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), you may be eligible to enroll in REHP when you retire.

REHP eligibility is based on your years of service and age at retirement. Premiums are subject to collective bargaining. The commonwealth retains the right to modify the benefits provided under the REHP at any time, regardless of your retirement date.

REHP does not include dental, vision or hearing aid coverage. If you participated in the PEBTF's active employee coverage, those additional benefits will terminate at midnight on your last day of employment.

Because eligibility is based on your years of service and age at retirement, your retirement counselor can help you by:

- Researching your service record to see if you qualify for REHP coverage
- Enrolling you in REHP as part of the retirement process, if appropriate
- Withholding money from your pension payments for premiums
- Enrolling and/or changing dependents assigned to your coverage
- Canceling coverage
- Verifying the amount of your premium at the time you retire, which is subject to change during retirement, due to collective bargaining

If you work for an employer outside the Governor's jurisdiction, contact your HR office for information about your health care options.

WHAT ARE MY HEALTH CARE OPTIONS IN RETIREMENT?

REHP Eligibility

Most SERS members are eligible for majority state-paid coverage if they:

- Retire after reaching SERS normal retirement age with 20 or more years of service.
- Retire at any age with 25 or more years of service.
- Receive a SERS disability retirement benefit.

SERS will deduct your member share in equal amounts from your monthly pension payments. The amount is based on your final average salary, or your final annual gross base salary at retirement, depending on your bargaining unit and date of retirement, which is subject to change, due to collective bargaining.

If you are not eligible for majority state-paid coverage, the state will pay $5 toward your premium.

Medicare & REHP

If you are enrolled or eligible to enroll in the Active Employees Health Program, administered by the PEBTF and you are planning to enroll in the REHP and are 65 years old or older, contact the Social Security Administration three months prior to your retirement to enroll in Medicare.

REHP will not pay for any claims that are eligible for payment under Medicare, so it is important that you and your eligible dependents are enrolled in both Medicare Part A (hospital insurance) and Part B (medical insurance) on the first day of the month in which you retire.

Dependant Coverage Loss

REHP coverage is limited to living retirees and their dependents. As a result, your REHP-enrolled dependents might not qualify for coverage:

- After your death.
- In the case of a dependent spouse/domestic partner, after your divorce/termination of your domestic partnership.
- In the case of dependent children, after they reach the maximum age limit.

WHAT ARE MY HEALTH CARE OPTIONS IN RETIREMENT?

COBRA Continuation Coverage Rights

In certain instances when coverage ends, you and your eligible dependents have the right to a temporary extension known as "COBRA" coverage. The premium costs for this coverage are different and coverage may continue for up to three years, depending on the qualifying event.

Your Right to Defer REHP Coverage

If you qualify for REHP coverage, you have the option to defer enrollment to a later date or decline your right to enroll.

If you defer enrollment, you have only one opportunity to enroll at a later date.

REHP Resources:

- For general questions about REHP, contact the Governor's Office of Administration at ra-REHP@pa.gov

- For questions about insurance provider options, or claims, contact the PEBTF – www.PEBTF.org or 1.800.522.7279.

NOTES

AFTER YOU RETIRE

AFTER YOU RETIRE

After you have signed and submitted your retirement application, SERS will send a letter to your employer. You are responsible for submitting a letter of resignation to your employer in accordance with its policies.

Here are a few things you should be aware of as you enter retirement.

Returning to State Service from Retirement – Know the Consequences

Generally, if you retire and then return to work for a SERS-participating employer, your monthly pension payments stop.

If you choose health insurance coverage through the REHP (see pages 27-29), your health insurance coverage will also stop.

The same is true if you choose to leave retirement and later work for a public school district in Pennsylvania -- as a member of PSERS -- and you choose to combine your SERS and PSERS service for one state pension by electing "multiple service."

If you have been asked to return to service by a SERS-participating employer, we recommend you contact your retirement counselor prior to accepting the position.

The amount of your benefit when you retire again will depend largely on how long you work after your return. In rare circumstances, the monthly pension amount you receive when you retire in the future could be less than the benefit you received during your earlier retirement.

If you return to work for less than three years, you will be entitled to the sum of:

- The remaining value of your benefit at the time of your return to work, based on the benefit payment option you elected when you first retired; the monthly pension payments you received before your return; your age; and

- A separately calculated amount based on your class of service and years of service after your return to work.

AFTER YOU RETIRE

If you return to work for more than three years, you will be entitled to the **better of** either:

- A pension calculated as described previously.

- A pension calculated combining both periods of employment. In this case, your future benefit will be reduced by the total payments you received while retired, plus interest.

Return from Disability Retirement

If you return to state service after receiving SERS disability retirement payments, your SERS member record will be restored as if you had not received disability payments. When you again retire, your pension will be based on your total service – the service you earned both before and after your disability retirement.

Return from Involuntary Termination

If you appeal your termination and it is reversed, you must return any member contributions you withdrew and any pension payments you received from SERS between your termination and reinstatement dates. If you receive a back pay award, the amount you need to return to SERS will be deducted from your award. If you do not receive a back pay award, or it is not large enough to cover the amount you need to return, SERS will send you an invoice. You may pay SERS in a lump sum or in payroll deductions over time.

Limited Exceptions

You may return to work for a SERS-participating employer while continuing to receive your pension payments in three cases. You will not, however, accrue additional retirement service credit or increase your monthly pension during your work as:

- **An emergency rehire** – If an emergency increases an employer's workload causing serious impairment of service to the public, you may return to work for up to 95 days per calendar year as long as you have been retired for at least a year or have reached age 60 (Age 62 for Judges). Employers under the Governor's jurisdiction must obtain the Governor's approval for your return.

- **A salaried member of an independent board or commission** – If you have reached SERS normal retirement age and have been retired for at least six months, are appointed by the Governor and approved by the Senate, and you will earn less than $35,000 annually, you may return to work. If you are under SERS normal retirement age, you can return only after you have been retired for at least a year.

- **An Independent contractor**

KEEP YOUR BENEFICIARY LIST UP-TO-DATE (MSLA or Option1)

If you choose the MSLA or Option 1 monthly payment option, it is important to keep your beneficiary designation up-to-date, especially after a change in your life such as the birth or adoption of a child, marriage, divorce, or death of a spouse.

SERS must pay any remaining benefit according to the most recently filed *Retired Member Beneficiary Nomination* (SERS-403) form. The form is available on our website, www.SERS.pa.gov or by calling 1.800.633.5461.

In the absence of a beneficiary nomination form, the remaining benefit will be paid to your estate where it will likely be subject to estate taxes.

Whether your pre-divorce designation of your spouse as a beneficiary would be effective under the Pennsylvania Probate, Estates, and Fiduciaries Code will depend on the date of your designation and your state of residency at the time of death. If you designate your spouse as a beneficiary and later divorce, you should file a new form.

SERS PROVIDED SERVICES

- Provide beneficiary forms, direct deposit forms, federal income tax withholding forms, and change of address forms upon request; and provide information and assistance to complete the forms.

- Provide you with an annual Personal Statement of Pension Payments detailing the retirement option you selected at retirement, the gross annuity payments you received, and the amount you instructed SERS to withhold for taxes, if any, that year.

- Provide proof of your monthly pension income, often referred to as "pension verification," by calling a SERS retirement counselor at 1.800.633.5461.

- Process dependent changes on your Retired Employees Health Program (REHP) coverage and answer questions about the amount withheld from your pension for premiums. If you have questions about your coverage or claims, contact the administrator of that benefit, the PEBTF, at 1.800.522.7279.

- Investigate and issue stop payments on pension payment checks not received ten working days after they are issued.

- Provide resource speakers for groups or associations.

- Provide counseling to your beneficiary or survivor regarding death benefits.

- Help you through the process of changing your monthly payment option if you selected a survivor benefit payment option and your survivor predeceases you, you divorce or you marry after you submit your retirement application.

ADDITIONAL INFORMATION AND RESOURCES

DIVORCE AND DOMESTIC RELATIONS/SUPPORT ORDERS

A court may issue an official order requiring payment from your SERS retirement benefit for spousal and child support, or for equitable distribution of marital assets.

The portion of a SERS retirement benefit earned during marriage is marital property. A SERS-approved DRO will specify how much of your retirement benefit (a portion or all) we are to pay to an alternate payee for the equitable distribution of marital assets. It will also specify in what form these payments are to be made.

Court-ordered payments will stop if you return to work for an employer that offers the SERS benefit, if you forfeit your pension, if you are receiving a temporary SERS disability benefit and your disability benefit is discontinued, or if you die.

Support Orders

The court's order must include your name, Social Security number, amount of attachment, Pennsylvania Automated Child Support Enforcement System case number (when support is for a minor), judge's signature, and the date.

The court must send the order to:
SERS-Membership Services Division
30 North 3rd Street, Suite 150
Harrisburg, PA 17101-1716
Fax: 717.237.0393

After SERS receives the order, we will send payments directly to the Pennsylvania State Collection and Disbursement Unit, which then forwards the payments to the appropriate county Domestic Relations Office or Family Court Division, or to the address stated on the support order.

A support order cannot exceed 50% of your retirement income, unless support payments are more than 12 weeks past due at the time the order is filed by the court.

The cost to administer a support order is 2% of the attachment, which is deducted from the balance of your annuity.

DIVORCE AND DOMESTIC RELATIONS/SUPPORT ORDERS

Qualified Domestic Relations Orders (DRO)

Download the *Guidelines for drafting a SERS-approved DRO and Sample DRO* from www.SERS.pa.gov as a resource for you and your attorney to use in drafting your DRO. All DROs must be approved by SERS for compliance with the Retirement Code before they become effective. Your attorney is encouraged to send a draft of your DRO to SERS - Legal Office for review before filing with the court:

SERS-Legal Office
30 North 3rd Street, Suite 150
Harrisburg PA 17101-1716
Fax: 717.787.5751

Requirements contained in federal pension statutes such as the Employee Retirement Income Security Act (ERISA) and the Retirement Equity Act of 1984 regarding qualified domestic relations orders (QDROs) and spousal consent do not apply to governmental pension plans like SERS.

Unlike ERISA plans, this means that in the absence of an appropriate court order, you may take any action with regard to your SERS benefit without providing notice to or requesting consent from any person, including your spouse.

Power of Attorney

If you have appointed someone to act on your behalf as your agent under a Power of Attorney (POA), you should submit the POA for approval by SERS. A POA can be an invaluable document in the event that you become incapacitated and are unable to make decisions related to your retirement benefit. A POA form regarding SERS retirement benefits is available on our website, www.SERS.pa.gov or by calling 1.800.633.5461.

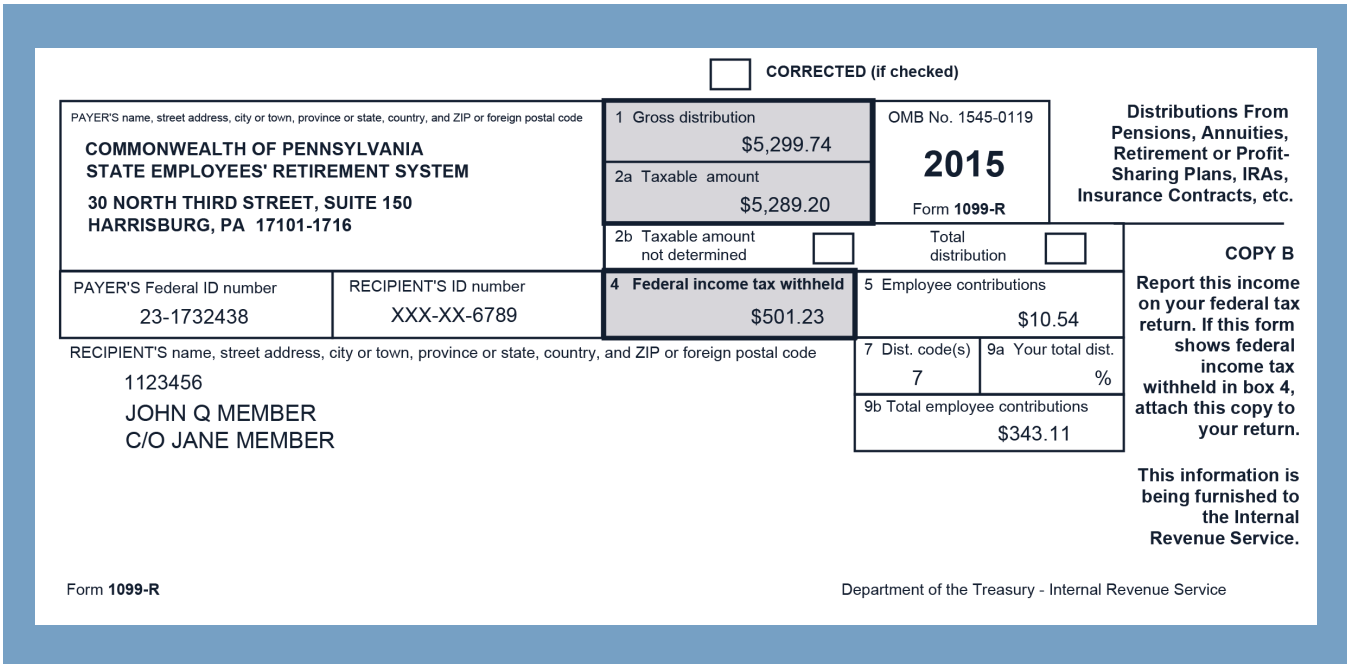
TAXES

In general, SERS pension payments are subject to federal income tax but exempt from Pennsylvania state and local income tax for PA residents. If you live outside of Pennsylvania, you'll need to be aware of the state and local income tax rules where you live.

We Send You A Tax Form Each January

Each January we will send you at least one 1099-R tax form listing the total benefit you received and other tax information that you will use to file your federal income tax return.

You could receive more than one 1099-R from us in any one tax year if you retired that year and chose to withdraw any of your contributions and interest in a lump sum, you received a payment from your own SERS pension and also received a survivor or beneficiary payment from a deceased SERS member's pension, or you turned 59 1/2 during that tax year.



CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code
COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 NORTH THIRD STREET, SUITE 150
HARRISBURG, PA 17101-1716

1 Gross distribution $5,299.74
2a Taxable amount $5,289.20
2b Taxable amount not determined
Total distribution
OMB No. 1545-0119
2015
Form 1099-R

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

PAYER'S Federal ID number 23-1732438
RECIPIENT'S ID number XXX-XX-6789
4 Federal income tax withheld $501.23
5 Employee contributions $10.54

RECIPIENT'S name, street address, city or town, province or state, country, and ZIP or foreign postal code
1123456
JOHN Q MEMBER
C/O JANE MEMBER

7 Dist. code(s) 7
9a Your total dist. %
9b Total employee contributions $343.11

COPY B
Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.

This information is being furnished to the Internal Revenue Service.

Form 1099-R
Department of the Treasury - Internal Revenue Service

You Tell Us How Much To Withhold

If you would like us to withhold money from your monthly pension payments for federal income tax, let us know. You can authorize SERS to start, stop, or change the amount by completing an Annuitant Federal Income Tax Withholding form.

You can estimate the amount of money that will be withheld from your gross monthly pension payments based on current IRS tax tables and various tax filing options using our Federal Income Tax Withholding Calculator.

TAXES

Delinquent Tax Bills

If you have delinquent tax bills, the IRS may seize a portion of your pension for payment of the outstanding bills.

Additional Taxes on Withdrawals Before Age 55

If you retire before the year you turn 55 and you choose to withdraw any of your contributions and interest when you retire, the taxable portion may be subject to an additional 10% federal excise tax unless you roll the money directly into a traditional IRA or other qualified plan, like your deferred compensation account.

Rollovers allow you to delay paying federal income tax on the money until you withdraw it from the IRA or other qualified plan, when your tax liability may be lower. Contact a tax advisor or financial planner to discuss the different tax consequences.

OTHER RETIREMENT-RELATED CONTACTS

Pennsylvania Employees Benefit Trust Fund (PEBTF)

www.pebtf.org
150 S 43rd Street
Harrisburg, PA 17111-5700
717.561.4750 or 1.800.522.7279

Pennsylvania Public School Employees' Retirement System (PSERS)

www.psers.state.pa.us
5 N 5th St, Harrisburg, PA 17101-1905
717.787.8540

Pennsylvania State Employees' Credit Union (PSECU)

www.psecu.com
PO Box 67013, Harrisburg, PA 17106-7013
Member Service Line: 1.800.237.7328
Self Service Telephone: 1.800.435.6500

Social Security Administration/ Medicare

www.ssa.gov
1.888.327.1176 or 1.800.772.1213

Pennsylvania Association of Retired State Employees (PARSE)

www.parseofpa.org
2929 Gettysburg Road, Suite 1,
Camp Hill, PA 17011
1.888.809.7429
717.731.9522
For information on dental and vision benefits, call 1.800.382.1352

Program of All-Inclusive Care for the Elderly (PACE)

1.800.225.7223

The Commonwealth of Pennsylvania Deferred Compensation Program

www.sers457.com
Empower Retirement, 212 Locust St, Suite 410,
Harrisburg, PA 17101
1.866.SERS457 (1.866.737.7457)

HR Service Center*

Monday-Friday 7AM-5PM EST
Call: 866.377.2672
PA Relay: 711
Interpreter services available

* Employees of the Liquor Control Board, Office of Attorney General, Gaming Control Board, Public Utility Commission, Auditor General and all other agencies not under the Governor's jurisdiction should contact their local HR office for assistance.

MetLife

1.855.972.5433

NOTES

COUNSELORS ARE HERE TO HELP
CALL 1.800.633.5461

Pennsylvania State Employees' Retirement System
30 North 3rd Street, Suite 150 | Harrisburg PA 17101
SERS.pa.gov

04-2018