

Spring/Summer 2018

DO **YOU** HAVE A DECISION TO MAKE ABOUT YOUR RETIREMENT BENEFIT IN 2019?

With a few exceptions, if you are an active contributing member of the SERS pension system on Dec. 31, 2018, you will have the choice of continuing to earn your SERS pension as you do now or switching to one of three new retirement benefit options in early 2019.

If you are a retiree receiving monthly pension payments, this choice **doesn't** apply to you. Your pension has already been calculated and your monthly pension payments will continue without interruption.

If you left commonwealth employment and are eligible for a SERS pension but haven't yet applied to receive it, this choice **doesn't** apply to you. Keep in mind, however, if you return to commonwealth employment prior to Dec. 31, 2018, the choice will be available to you.

If you are a hazardous duty employee, the choice **doesn't** apply to you. Hazardous duty employees include:

- Sworn Police Officers
- Enforcement Officers
- Wildlife Conservation Officers (Not Deputy Wildlife Conservation Officers)
- Delaware River Port Authority Policemen
- Park Rangers
- Capitol Police Officers
- SSHE Campus Police Officers
- Community College Campus Police Officers
- Penn State University Campus Police Officers
- Police Officers at Fort Indiantown Gap
- Corrections Officers
- All other positions currently with age 50 or 55 retirement except ~~Forensic Security Employees and members of the General Assembly~~



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e-mail address to
get member updates
and other news sent
to your inbox.

Amended after
further legal
analysis – 7/2/18.

Act 2017-5, created three new retirement benefit options for new employees beginning in 2019, and opened the new retirement plan options to existing employees in early 2019.

For more information, see **Retirement Benefit Choices**, pg 2

RETIREMENT BENEFIT CHOICES

As an active SERS member, you are contributing to and earning a defined benefit pension.

From Jan 1 – March 31, 2019, you will have the option to continue to earn your SERS pension as you do now or to switch to one of three new retirement benefit options. The choice is irrevocable and will go into effect on July 1, 2019.



Your Current Defined Benefit Pension Plan

In this type of plan, the amount of your pension is defined by a calculation that takes into consideration your years of service and salary. The amount grows each year based on an annual benefit accrual rate and, when you retire, is paid to you in equal monthly payments for your lifetime.

Your SERS pension also includes a disability retirement benefit if you have five or more years of credited service and you become unable to perform your job because of injury or illness.

Your Other Retirement Benefit Options

Act 2017-5, created three new retirement benefit options: a defined contribution plan option and two hybrid defined benefit pension/defined contribution investment plan options.



A Straight Defined Contribution Plan Option

This type of plan is similar to a private sector 401(k) plan, in which the amount of money you have for retirement will be based in part on your personal investment choices and the investment markets. This option **does not include a disability retirement benefit**. If you have any previous state or military service that could contribute toward your SERS pension, you must purchase that service **prior to** converting to this plan option or lose the ability to get credit for that service.



Two Hybrid Plan Options

In both hybrid plan options, a portion of your retirement benefit comes from a defined benefit pension plan and a portion comes from a defined contribution plan.

The defined benefit portion of both options features a lower benefit accrual rate than you currently have and your final average salary will be based on a five-year average (by highest calendar year) rather than a three-year average (by highest calendar quarters). In addition, your benefit will be reduced for early retirement if you retire before age 67, which is older than the requirement of your current plan.

While both hybrid plans include a disability retirement benefit, the amount will be smaller than that provided by your current defined benefit pension plan.

No matter which plan you choose, the percentage of your compensation withheld from your pay as your contribution toward your retirement benefit will remain the same.

As with your current plan, there are no provisions for emergency withdrawals – generally speaking, the only way to receive money from your retirement benefit is to retire. If you decide to switch to one of the new plan options, the new plan will become effective in July 2019.

More information will be mailed to active employees and published in the next issue of the newsletter this fall.

RETIREES: MOVING OUT OF PA?

Here are two key topics to consider when moving out of Pennsylvania:



Taxes

What are the local and state tax rules for the area you are moving to? Will your pension be taxed? To find out, visit that state's Department of Revenue website or check with a qualified tax professional. Each state has its own rules for how it will tax a pension.

In general, SERS pension payments are exempt from Pennsylvania state and local income tax for PA residents. SERS pension payments are subject to federal income tax.

If you live outside of Pennsylvania, you'll need to be aware of the tax laws where you live. A tax advisor should be consulted about permanent residency questions.



Health Insurance

What types of health insurance are accepted in the area you are moving to? Are the facilities near where you are moving considered "in-network"? If you are enrolled in the Retired Employees Health Program (REHP) and have questions about insurance providers, coverage, or claims, please call the Pennsylvania Employees Benefit Trust Fund at 1.800.522.7279, Monday through Friday from 8 a.m. to 5 p.m. or visit www.pebtf.org.

If you move, remember to update your address on file with SERS by completing an *Annuitant – Change of Address* form. And if you switch banks, complete a new *Direct Deposit of Pension Payments* form. Both forms are available at www.SERS.pa.gov.

MEMBERS OF THE A-3 & A-4 CLASS OF SERVICE:

You will be able to withdraw your contributions and interest at retirement

If you entered SERS membership since Jan 1, 2011, you currently cannot withdraw your contributions and interest at retirement. However, Act 2017-5 provides that option to you if you retire on or after Jan 1, 2019.



STATE EMPLOYEES' RETIREMENT SYSTEM

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