

# SERS News



www.sers.state.pa.us

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## Pension Reform:

### *Know Where Decisions Are Made, Stay Informed*

SERS' mission is to "provide retirement benefits and services to our members through sound administration and prudent investments." By most metrics, we do our job pretty well. SERS counselors earn "very satisfied" ratings more than 90% of the time for the service they provide to our retiring members. And SERS' investment professionals have earned returns that contributed 75% of the total fund income over the past 10 years.

If you examine our mission closely, however, you'll note that it's our role to *administer* and *invest* on behalf of the retirement plan, which is set forth in Pennsylvania law. It is not our role to determine the type or level of retirement benefit provided to state employees — those crucial decisions are made by the General Assembly and the Governor.

Given the number of you we've been hearing from, we know that you're seeing the same media coverage that we are and that it's causing you some concern. The system is facing serious funding challenges and employer contributions are set to rise consistently — some have said unsustainably — over the next several years. In times of limited revenue, this situation poses a tough challenge for Pennsylvania's elected leaders.

Several proposals have already been introduced and, no doubt, more will be forthcoming in the next few months. Some proposals that have already been introduced would provide half of any revenue surplus each year to the pension funds to help stabilize the funding ratio.

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## The Deferred Compensation Program Allows You to Control Your Supplemental Retirement Savings

### *New Roth Option Available In August*

Did you know that you can supplement your retirement savings by joining more than 50,000 of your colleagues who have saved over \$2 billion in the Commonwealth's Deferred Compensation Program (DCP)?

If you are an active employee who is eligible to participate in the SERS pension program, you are also eligible to participate in the DCP. Through the DCP, you invest a portion of your earnings, which become available for withdrawal when you separate employment. A DCP 457(b) account gives you a lot of control over your retirement savings. You choose how much to save: as

little as \$10 per month or as much as the IRS limit of \$17,000 (\$22,500, if you're 50 or older). And, you choose how to allocate and invest your savings from a wide array of options.

Coming this month, you will have even more control because you will have another option – the "Roth" option. Among the biggest differences between the new Roth option and the traditional option is when

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## Retired Employees Health Program Changes Pharmacy Benefits Manager, Medicare Part D Prescription Coverage

As you know, the Pennsylvania Employee Benefits Trust Fund (PEBTF) selected a new pharmacy benefits manager and recently mailed new CVS Caremark prescription drug ID cards to members of the Commonwealth's Retired Employees' Health Program (REHP).

If you are a member of the REHP, you also recently received a letter explaining an additional change: that SilverScript, an affiliate of CVS Caremark, will begin providing Medicare Part D prescription drug coverage effective January 1, 2013.

While SERS does not run the REHP – meaning that SERS does not determine the level, cost, providers of REHP benefits or administer the program – we are an important partner in delivering this benefit to you. SERS assists the PEBTF by reviewing your eligibility, processing your enrollment, and withholding premiums, if appropriate.

**If you want to learn about CVS Caremark or SilverScript, or if you have other questions about how this change may specifically affect you, please call the PEBTF at 1-800-522-7279 or visit [www.PEBTF.org](http://www.PEBTF.org).** 📌



SERS retirement benefits are payable on the last working day of each month.

If you receive your payments by direct deposit, the money is deposited into the bank account you requested on the last working day of each month.

If you receive your payments by check through the mail, SERS mails all checks on the next-to-last working day of each month and your check should arrive in the mail within ten business days.

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Others would overhaul the entire retirement system, requiring new state employees to participate in 401(k)-style “defined contribution” or hybrid “cash balance” plans in lieu of the traditional pension plan. Some proposals that haven't yet been fully developed seem to indicate an attempt to keep the current plan intact, but to further cut benefits for future employees by reducing the “multiplier,” extending the vesting period and making other changes to the current system. And — although we're aware of no concrete proposal that yet exists in this area — some policy makers have publicly articulated their interest in exploring the constitutional issues associated with trimming future benefits for current employees.

Given that SERS has more than 200,000 members, as individuals you have dramatically varied views with regard to

the role of government in retirement policy, the value of the current system vs. proposed alternatives, retirement benefit portability, fiscal responsibility, tolerance of financial risk/debt, tax policy, and the like.

We encourage you to remain informed as this debate unfolds. If you want to share your individual thoughts, suggestions, opinions, and ideas throughout this process, you may wish to share them with your elected leaders. It is your elected leaders who will ultimately decide the system and level of retirement benefits that SERS will administer in the future.

If you visit [www.legis.state.pa.us](http://www.legis.state.pa.us) and look to the top right-hand part of the webpage, there is a search feature to help you find the names and contact information for members of the General Assembly who represent you. You can also search for and read proposed legislation by selecting “keyword” and typing “pension.” 📌

## Forfeiture of SERS Pensions for Criminal Convictions

SERS members who are convicted of certain crimes automatically lose their pensions. The Public Employee Pension Forfeiture Act 1978-140 (Act 140) requires forfeiture of all pension benefits by any SERS member who commits any crime listed in that law — crimes that breach the member’s duty of faithful and honest public service. Federal crimes that are substantially the same as the listed state crimes also are covered.

**SERS has no discretion to waive the law if a particular crime is relatively minor ... Nor does SERS have any discretion to impose the penalty of Act 140 when a member is convicted of a very serious crime that is not listed in Act 140.**

pension payments received before conviction. The member contributions may be lost too, if the member owes fines or restitution.

SERS’ application of Act 140 is mandatory. SERS has no discretion to waive the law if a particular crime is relatively minor in relation to the value of the pension. Nor does SERS have any discretion to impose the penalty of Act 140 when a member is

convicted of a very serious crime that is not listed in Act 140.

Act 140 is triggered by a conviction or entry of a guilty plea or no defense plea to a listed crime committed in connection with the member’s public employment.

A member who forfeits his or her pension loses all future payments, including death or survivor benefits. The member keeps only the contributions he or she made to the retirement fund, without interest, and the

In addition, the Pennsylvania Constitution and Judicial Code contain pension forfeiture provisions applying to members of the judiciary. Those provisions can be triggered even where the member committed no crime but was found to have prejudiced the proper administration of justice or brought the judicial office into disrepute. ▼

### Purchasing Military Service? You’ll Need Your Military Service Record

If you have service time with the U.S. armed forces, you may be able to purchase retirement credit in SERS for periods of that service. You will need to provide documentation from the federal government detailing your military service. You can access those records by filing a Military Service Record Request with the National Archives:

<http://www.archives.gov/veterans/military-service-records/>

For more information about purchasing prior state and nonstate service in SERS, see: [www.SERS.state.pa.us/PurchasingService](http://www.SERS.state.pa.us/PurchasingService) or contact your SERS Retirement Counselor at 1-800-633-5461. ▼

### Lawrence County Members: Your Retirement Counselor May Have Changed

If you’re a Retiree, Survivor Annuitant or Beneficiary living in Lawrence County, or if you’re an Active member working in Lawrence County, the location of your retirement counseling services has moved. While in the past, you were helped by Retirement Counselors located in Pittsburgh, you will now be helped by Retirement Counselors located in the **Seneca Regional Retirement Counseling Center**. ▼

SERS has seven Regional Retirement Counseling Centers throughout the Commonwealth serving Active Members based on their work locations, and Retirees, Survivor Annuitants and Beneficiaries based on their residence locations.

Retirement Counselors are available in each center to answer questions you may have about your retirement benefit. You can reach your Retirement Counselor by calling 1-800-633-5461.



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your contributions are taxed. In the traditional option, you defer taxes on your contributions and earnings until you withdraw the money. In the Roth option, you pay taxes on the amount you contribute when you make the contribution but your qualified withdrawals, including investment earnings, are tax-free.

Other benefits of a DCP account include the ability to defer your leave payout directly from the Commonwealth into your DCP account at retirement. If you want to take advantage of this benefit, IRS regulations and payroll policies require that you enroll well in advance of retirement. Another benefit is the convenience of automatic payroll deductions. Saving consistently over the course of your career can really add up—and it's never too late to start! Finally, given the recent debate over pension reform, many employees find it comforting that they are taking more control over some aspect of their retirement savings.

No matter what your reason, now is a great time to take advantage of this low-fee program and start saving. To learn more about the DCP or to enroll, please visit [www.sers457.com](http://www.sers457.com) or call the program's third party administrator, Great-West Retirement Services, at 1-866-SERS-457.

*Please consider the investment objectives, risks, fees and expenses carefully before investing.  
Additional disclosure documents can be obtained from your registered representative. 📄*