

# SERS News

The newsletter for members of the Pennsylvania State Employees' Retirement System

**UPDATE ON RETIREMENT LEGISLATION:** On November 22, 2000, the Pennsylvania General Assembly adjourned, officially ending the Commonwealth's 1999-2000 legislative session. No SERS retirement legislation was passed by the General Assembly in 2000, and therefore, no changes will be made to retirement benefits for active or retired members. SERS practice is to provide all members with timely announcements of any retirement legislation that is passed. Also, as noted on page five of this newsletter, SERS is introducing a new feature to its Internet site to provide members with the necessary information to track future legislation.

## 2000 Statement of Account

All SERS **active members** who contributed to the SERS fund during the past year will receive a SERS Annual Statement of Account updated through the end of 2000. Statements will be mailed to **active members'** home addresses of record (or an alternate address provided by the member) by April 1, 2001.

All *vested* members – those with at least 10 or more years of credited service – will be provided estimated retirement benefits projected to the normal retirement date. In previous years, projected estimates were given only to members who were within 10 years of their normal retirement date. The Statement also will list the vested member's normal retirement date, which usually is at age 60.

For the fourth year, the Statement will list the member's principal beneficiary(ies), as designated by the member on the most recent Nomination of Beneficiary(ies) form on file with SERS at the end of 2000. **Active members** are reminded that if the beneficiary section of the Statement is blank, it is because the member has not designated a beneficiary, the member wishes the identity of the beneficiary to remain confidential, or the member's Nomination of Beneficiary(ies) form predates 1993, when SERS began computerizing this information.

The presence of beneficiary information in the Member Statement is intended to remind the member about who is currently listed as his or her beneficiary. **Active members** should review their benefi-

ciary information at times of change in their lives, such as the birth of a child, marriage, or divorce or death of a spouse.

### **Contacting SERS**

If you are an **active member** currently employed and contributing to the SERS fund and you want to change your beneficiary selection, contact your agency Personnel Office or regional SERS Retirement Counseling Center to request a new Nomination of Beneficiary(ies) form.

If you do not receive your 2000 Statement or if you feel there may be omissions or discrepancies in the Statement, contact your SERS regional Retirement Counseling Center by calling toll-free **1-800-633-5461**.

Duplicate copies of the Statement are available from SERS at a cost of \$5 each. To obtain a duplicate copy, write to:

**SERS**  
**Attn. Membership Services Division, P.O.**  
**Box 1147, Harrisburg, Pa. 17108-1147.**

Statement information is subject to a final audit by SERS. □

Visit us on the Web at [www.sers.state.pa.us](http://www.sers.state.pa.us)

# A Note on Service Credits

## For Active Members

Each year following distribution of the Statement of Account, SERS staff are often asked why the amount of service listed on a member's pay stub does not match the amount of service credit listed on the Statement. Here's why.

Members working in an agency under the Governor's jurisdiction receive a pay stub (COMMONWEALTH OF PA - EMPLOYEE STATEMENT) that lists service credit in the "Paid Leave Statement" section of the stub. Though many members believe the service credit amount listed on the pay stub should be the same as the credited service listed on the Statement, in most cases these figures will not agree.

The calculation for SERS service credit is based on hours compensated during a calendar year. In order to receive a full year of service credit, a member must be compensated for 1,650 hours. This includes regular hours paid as well as any overtime hours for which the member is compensated.

The figure listed on the pay stub is for leave purposes only. It should not be used in trying to determine the number of years of service a member has in order to qualify for a retirement benefit. To determine the amount of service credit earned for retirement, **active members** should rely on the information listed on the annual Statement or provided by a SERS Retirement Counselor.

## Seneca Counseling Center Moves

The Seneca Regional Retirement Counseling Center has moved to a new office location. The new address is:

**State Employees' Retirement System  
Seneca Regional Counseling Center  
Duawl Professional Plaza, Suite 6  
Salina Road, Route 257  
Box 01561, Seneca, Pa. 16346**

The Seneca center serves the counties of Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, Mckean, Mercer, Venango and Warren.

The office's local telephone number remains unchanged (**Phone: 814-677-0741; Fax: 814-677-8792**). Members in the Seneca counseling service area may also use our toll-free number – **1-800-633-5461** – to reach the center by telephone.

*SERSNews* is a publication of the Pennsylvania State Employees' Retirement System and is distributed for the information of SERS active members, annuitants and beneficiaries/survivors.

### Board of Trustees

Hon. Nicholas J. Maiale, Chairman  
Sen. Gibson E. Armstrong  
Hon. Robert A. Bittenbender  
Hon. Barbara Hafer  
Edward J. Keller  
Rep. Edward J. Lucyk  
Sen. Raphael Musto  
James E. Nevels  
Hon. Thomas G. Paese  
Hon. M. Joseph Rocks  
Rep. Jere L. Strittmatter



**Executive Director:** John Brosius **Editor:** Tony Parisi **SERS:** 30 North Third St., P.O. Box 1147, Harrisburg, Pa. 17108-1147, with regional Retirement Counseling Centers in Bensalem, Harrisburg, Hazleton, Montoursville, Pittsburgh, Seneca and State College that may be contacted toll-free by calling **1-800-633-5461**. Text Telephone (Voice/TT): **(717) 787-4734**. Submit comments and suggestions regarding the newsletter to: Attn. Editor at SERS. Available on audio tape. Printed on recycled paper using soy-based and non-toxic inks.

## SERS Mailings

Here's a list of upcoming mailings to SERS members.

☒ **January:** IRS Tax Form 1099-R for 2000; mailed to **annuitants' home addresses** by the end of January.

☒ **March:** SERS 2000 Member Statement of Account listing information on the **active member's** retirement account as of the end of the previous calendar year; mailed to **active members' home addresses** by April 1.

☒ **April:** Spring *SERSNews* mailed to **annuitants** with the end-of-month annuity distribution; provided to **active members** through payroll distribution on succeeding pay days. ☐

# Tax Form 1099-R

If you are a SERS member or beneficiary who collected benefits from the fund in 2000, you'll soon receive your Internal Revenue Service (IRS) Form 1099-R from SERS.

SERS calculates the total benefit (or gross distribution) you received from the fund during the prior year and reports this information to you by January 31 of each year on Form 1099-R. We also report this information to the IRS.

If you retired during 2000 as an active or vested SERS member eligible for retirement and took payment of benefits, you will receive at least one Form 1099-R. Depending on the retirement option selected and possible rollover of your account to an IRA or other qualified plan, you may receive more than one Form 1099-R. You must file a copy of each form with your federal

income tax return and your state and local income taxes, *when required*.

The amount listed in Box 4 (Federal Income Tax Withheld) of Form 1099-R must be included on your federal income tax return in the amount you report as *tax withheld*. If the amount listed in Box 4 is *more* than zero, you must attach Copy B of each Form 1099-R to your federal return.

Copy 2 of Form 1099-R is intended for filing with state and/or local income tax returns. Under the Pennsylvania State Employees' Retirement Code, however, SERS benefits are *totally exempt* from Pennsylvania state and local income taxes. SERS does not furnish copies of Form 1099-R to any state or local tax agency in Pennsylvania.

If you live in a state other than Pennsylvania, you may be subject to state and/or local income tax and may be required to file Copy 2 of

Form 1099-R. Certain state and local tax laws may exempt some or all retirement benefits, however. There also may be exemptions, deductions or credits for certain annuitants. Contact your state and city revenue offices or a qualified tax consultant for information.

## Please Note

*Even if you are on direct deposit, you should keep your current home address on file with SERS. Your home address is the only means SERS has to reach you directly to provide your Form 1099-R and other important notices and newsletters. Call your regional SERS Retirement Counseling Center at 1-800-633-5461 to request a change of address form.* □

## Customer Care Update

### *SERS Completes Customer Satisfaction Survey*

As part of the SERS Customer Care Review Initiative, SERS members recently completed a survey that asked them to rate SERS on its customer service and to tell SERS what they would like to see from SERS in the future. At the end of June, SERS sent survey questionnaires to 4,560 active and retired members. The questionnaires asked members to rate SERS on the quality of customer service they receive, to provide SERS with input on what they feel needs to improve, and to suggest new services that may be needed in the future.

Overall, the survey results were positive, and member satisfaction levels were high. Member satisfaction tended to increase with age. In general, members seemed least comfortable with their knowledge about the services that SERS provides. Retired members consistently responded more favorably than active members when evaluating existing services, while active members consistently responded more favorably than retired members when considering potential new services and initiatives.

The survey results suggest that members generally appreciate the services that SERS provides. The areas that SERS has identified as being weaker in member satisfaction will be immediately addressed, while SERS continues to deliver the same high level of member service it now provides.

SERS wishes to express its sincere thanks and appreciation to all SERS members who participated in the survey. Please look for updates on the SERS Customer Care Review [Initiative](#) in future issues of the *SERSNews*.

# SERS Retirement Program – Q&A

The following questions and answers have been developed to acquaint members with the basic provisions of the retirement program provided by the Pennsylvania State Employees' Retirement System (SERS). **For more detailed information, contact your SERS Retirement Counselor by calling 1-800-633-5461 or visit us on the web at [www.sers.state.pa.us](http://www.sers.state.pa.us).**

**1. Q: *What amount do members contribute to SERS?***

**A:** Most members contribute 5 percent of their gross, regular and overtime pay.

**2. Q: *What amount does my employer contribute to SERS?***

**A:** The amount the Commonwealth contributes on behalf of SERS members is determined each year by the SERS Board of Trustees. The contribution rate does not affect the amount of your SERS pension benefit – see question #11.

**3. Q: *How are member contributions to SERS treated for Federal income tax purposes?***

**A:** Member contributions are not subject to current Federal income tax. Contributions and interest become subject to federal income tax when they are disbursed to the member, unless these monies are directly transferred to another tax qualified plan. (Note: Some exceptions may apply, contact your SERS Retirement Counselor for more details).

**4. Q: *Are there any administrative expenses charged by SERS on member contributions?***

**A:** SERS does not charge a fee to members for administrative or management expenses.

**5. Q: *What interest rate is paid on member contributions?***

**A:** SERS pays 4 percent interest compounded annually on all contributions. This percentage is set by law.

**6. Q: *What happens to a member's contributions if he or she terminates employment and wishes to withdraw the funds?***

**A:** A lump sum refund of the member's contributions (also known as "accumulated deductions") plus interest is paid to the member by SERS, provided the member is not employed or re-employed by another Commonwealth agency or another employer that also participates in SERS. Members may elect to have contributions and interest paid to them directly, or they may elect to rollover these monies to a tax qualified plan. If the member elects to directly receive his/her contributions, SERS is required by federal law to withhold 20 percent on the taxable amount and pay this amount to the Internal Revenue Service (IRS). Also, if the member is under age 55 at the time of withdrawal, an additional 10 percent excise tax will be levied as a penalty for early withdrawal. It is the member's responsibility to pay the 10 percent penalty.

**7. Q: *May members who terminate employment qualify for future retirement benefits if contributions are not withdrawn?***

**A:** Yes. This is known as vesting. Vesting in SERS is available only if the member terminates employment with 10 or more years of creditable service if under superannuation age\* (age 60 or 50, depending on class of service), or three or more years of creditable state service if over superannuation age. Members who vest are eligible to apply for an annuity at any time.

**8. Q: *May a member who terminates employment continue to contribute to his/her retirement account on an individual basis?***

**A:** No. Individual contributions after termination of employment are prohibited by law.

**9. Q: *When are members eligible to terminate state service and receive an annuity income?***

**A:** A member is eligible to receive a retirement annuity any time after being credited with 10 or more years of service, or with three years of credited state service after reaching superannuation age. However, members who retire prior to reaching superannuation age with less than 35 years of creditable state service receive a

*(See "Q&A", continued on page 6)*

# 2001 Annuity Payment Dates Card

## *New Cards mailed with November Annuity Checks*

**W**ith the end-of-November 2000 annuity payroll, all SERS **annuitants** were sent a Monthly Annuity Payment Dates card for 2001. The yellow card lists the dates annuity payments are to be distributed during the year.

Currently, about 47 percent of SERS **annuitants** receive paper checks, which are mailed from the Treasury Department on the *next to last* working day of the month. These members are reminded to allow 10 working days for the check to arrive before contacting SERS.

The remaining **annuitants** have their checks deposited directly in a financial institution. These deposits are posted to the institution on the *last* working day of the month.

Members interested in switching to direct deposit should call their regional SERS Retirement Counseling Center at **1-800-633-5461** to obtain a direct-deposit form.

Members who misplace the Monthly Annuity Payment Dates card should contact their regional Retirement Counseling Center to request a new one.

### **In addition to annuity distribution dates, the card provides the following important reminders to annuitants:**

- You will receive Internal Revenue Service (IRS) Form 1099-R (Statement for Recipients of Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.) from SERS in January of each year.
- You may start, cancel or change the amount of federal withholding tax on your monthly benefit at any time. Write or telephone SERS or the IRS for a W-4P, Withholding Certificate for Pension or Annuity Payments form. Upon completion, return it to SERS.
- Notify SERS immediately if you change your address, if your financial institution's address changes, or if there is a change in your account number.
- Even if you are on direct deposit, you must keep your current home address on file with SERS. Your home address is the only means SERS has to correspond with you directly. Your home address is used to mail newsletters, tax statements and other important documents. All correspondence sent to SERS must include your name and Social Security number. □

### ***A Note on Legislation***

SERS recently updated its Internet site ([www.sers.state.pa.us](http://www.sers.state.pa.us)) to better serve SERS members interested in legislative activity. On the SERS homepage, there is now a link titled "Note on Legislation" that allows any person to investigate legislation that has been introduced in the Pennsylvania General Assembly. Members can now view bill status reports and can download the full text of bills.

Please keep the link in mind if you have questions on legislation.

*("Q&A", continued from page 4)*

reduced annuity. (See question 12 regarding Disability Retirement)

**10. Q: Is the income from a SERS annuity ever increased after payments have commenced?**

**A:** Legislative action is required to increase SERS annuity payments. Historically, benefit increases have been enacted approximately every four to five years.

**11. Q: How are retirement annuities determined?**

**A:** SERS is a formula-based Defined Benefit Plan. The basic formula to determine retirement income from the SERS is as follows: 2% X Years of Service X Final Average Salary. Final Average Salary is defined as three periods of four consecutive non-overlapping calendar quarters. This formula applies to retirements that take place after the member reaches superannuation by age or with 35 years of service at any age. Members who retire prior to superannuation receive a reduced annuity.

**12. Q: Does SERS provide for disability retirement benefits?**

**A:** Yes. SERS members with five or more years of creditable state service are eligible to apply for a disability retirement. There is no minimum service requirement for members of the Pennsylvania State Police and Enforcement Officers to apply for a disability retirement. To apply for a disability retirement you must be employed by the commonwealth, on paid leave or on leave without pay.

**13. Q: What about death benefits before retirement?**

**A:** If the member has less than

10 years of credited service and is under superannuation age, the beneficiary(ies) of the deceased member will receive a refund of the member's contributions plus interest. If the member has three years or more of credited state service and is over superannuation age, or if the member has over 10 years of credited service and is under superannuation age, the beneficiary(ies) is entitled to the present value of the deceased member's account based upon the SERS benefit formula.

**14. Q: Are there any provisions for increasing the value of my retirement account?**

**A:** Yes. SERS permits members to purchase credit for certain types of public service. This includes any service with a Commonwealth employer (part-time or full-time), up to a maximum of five years of military service, and up to 10 years of out-of-state teaching service at a public school or public institution (special restrictions apply). For more information on purchase of service and for a complete list of service types creditable with SERS, refer to your SERS *Member Handbook* or consult with a SERS retirement counselor. To be eligible to purchase service, you must be an active, contributing member of SERS.

**15. Q: Does the SERS retirement plan offer loans to members?**

**A:** No. State law prohibits SERS from making loans to members.

\* "Superannuation" age, also known as "normal retirement age" for most state employees is age 60 or any age with 35 years of credited service. The superannuation age for certain membership classes (state police, enforcement officers, members of the General Assembly, and others) is age 50. For more information, contact a SERS retirement counselor.

## Retirement Related Contacts

● **Pennsylvania Employees Benefit Trust Fund (PEBTF):** Toll Free (In State) 1-800-522-7279; (Out of State) 1-800-628-0174; for Retired Employee Health Program-related inquiries regarding state medical coverage and claims.

● **Pennsylvania Public School Employees' Retirement System (PSERS):** Toll Free 1-888-PSERS4U; for information related to school service or related to multiple service (service in both SERS and PSERS).

● **Pennsylvania Pharmaceutical Assistance Program (PACE):** Toll Free 1-800-225-7223.

● **American Association of Retired Persons**  
1-800-424-3410  
www.aarp.org

● **Deferred Compensation Program**  
1-800-422-1327  
www.padcp.com

● **Social Security Administration**  
1-800-772-1213  
www.ssa.gov