

## Disclaimer

The State Employees' Retirement System (SERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances and is not a complete statement of the law or administrative rules. The statements in this document are not binding; and in any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail.

Members' retirement-related information may be subject to disclosure under Pennsylvania's Right-to-Know Law.

## Impact of frozen present value on State pensions

If you retire from State service under normal or early retirement but later return to service, your monthly retirement benefit will stop and the present value of your retirement account will be "frozen." If you then earn at least three additional service credits following your most recent period of retirement, you will become eligible to have your retirement account calculated one of two ways at your next retirement:

- with the frozen present value included, or
- without the frozen present value, but with a debt for pension payments already received.

The elimination of your frozen present value will occur automatically if you are eligible, and SERS will pay you the greater annuity benefit of the two calculations. Different frozen present value elimination rules apply to State police officers.

**SPECIAL NOTE:** If you are considering leaving State service but plan to return at a later date, you should contact your Regional Retirement Counseling Center by calling toll-free 1-800-633-5461, **BEFORE** you terminate service, for the latest information about how a return to service may affect your retirement benefit.

## Effects of a frozen present value

SERS members who retire (except those with disability retirements) and who later return to State service have the value of their retirement benefit frozen at the time they return to service. When the member retires again, this frozen present value is added to the retirement benefit earned during the second period of State service. This generally results in a final retirement benefit with a smaller value than if the member did not receive a monthly retirement benefit between the periods of service.

## Calculation with and without a frozen present value

Most active members who earn three service credits following a return to service become eligible to have their final retirement benefits calculated using the more advantageous of the two calculation methods. The elimination of a frozen present value causes all annuity payments previously paid to the member, plus interest, to be treated as a debt to SERS. The debt is applied to the member's retirement account at the time the frozen present value is eliminated. The debt accrues interest from the date of return to service until the date of retirement. There is no requirement for the member to satisfy this debt through payment of cash to SERS.

## Creation of a debt with interest

As noted above, eliminating a frozen present value may raise the value of the overall pension benefit. However, this elimination of a frozen present value is not cost-free. Elimination of a frozen present value results in retirement benefits previously

received being treated as a debt to the member's SERS account. The debt, including any lump sum or partial lump sum payments, plus interest, will be established at the time the frozen present value is eliminated. The interest rate used to calculate the debt can vary from fiscal year to fiscal year, either up or down. This rate is set by the SERS Board and is entirely based on the Retirement Fund's assumed investment rate of return, without regard to the impact it may have on an eligible member's benefit. Remember, the debt is satisfied through an actuarial adjustment to the member's benefit. There is no requirement for a member to satisfy this debt through cash payment to SERS.

## Modifications resulting from Act 2001-9

Act 2001-9 added a new class of membership to the Retirement Code, Class AA. Members of Class AA contribute at a rate of 6.25 percent of compensation and have a Class of Service Multiplier of 1.25, which translates into an annual accrual rate of 2.5 percent of final average salary.

In most cases, annuitants who return to State service after June 30, 2001, will receive Class AA credit for earlier periods of State service if they earn three or more years of State service credit after returning and qualify to have the frozen value of their earlier service "thawed." Contact your Regional Retirement Counseling Center to learn whether you are eligible to receive Class AA credit for you prior State service.

Annuitants who return to State service after June 30, 2001 and earn less than three years of service credit in the return period will receive Class AA credit for their post-return State service but will have the frozen value of their earlier service translated back into a benefit without further adjustment for Class AA. A similar rule exists for SERS annuitants who enter school service and are Multiple Service members.

Annuitants returning to State service after June 30, 2001 have their **NEW** service credited as Class AA and their contribution rate is 6.25 percent of compensation.

## Revocability

There are instances in which a member may decide to receive a lesser benefit. In such circumstances the member must notify SERS, in writing, of his or her decision to do so prior to termination of employment or the filing of an application for benefits, whichever occurs later.

### More information

For more information about Frozen Present Value visit the SERS web site at [www.sers.state.pa.us](http://www.sers.state.pa.us). **Members may also contact their Regional Retirement Counseling Center by calling toll-free 1-800-633-5461 for additional information and individual retirement estimates.**

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