

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.

General information

If you leave State service prior to obtaining five years of service credit and are under age 60 (age 50 in some categories of service or prior to obtaining three years of service if you are over age 60), you are eligible for a refund of the contributions you made to the SERS. The process of applying for a refund is simple and straightforward, but please be aware of the following important facts:

- If you have at least three years of service and are at least age 60, you are entitled to a pension **and** a return of your contributions and interest. Contact your Retirement Counselor about applying for a retirement annuity.
- If you were employed in a classification entitled to age 50 retirement, have three years of service and are at least age 50, you are entitled to a pension **and** a return of your contributions and interest. Contact your Retirement Counselor about applying for a retirement annuity.

Refund procedures

1. Contact your Regional Retirement Counseling Center by calling toll-free 1-800-633-5461 to receive refund counseling and refund forms.
2. After speaking with your Retirement Counselor, complete an Application for Refund of Member's Contributions and Interest (SERS-251) and return it to your Regional Retirement Counseling Center.
3. Together with your Retirement Counselor, complete a Refund Counseling Checklist (SERS-351) and return it to your Regional Retirement Counseling Center.
4. You may elect to make a direct transfer (rollover) of the taxable portion of your refund to another qualified plan, such as an Individual Retirement Account (IRA). If you elect to make a direct transfer, you and your financial institution must complete an Application for Direct Rollover of Taxable Payment (SERS-254). The completed form **must** be returned to your Regional Retirement Counseling Center within 45 days of the date the counseling center received your SERS-251. SERS will accept **only** the properly completed SERS-254 for processing a direct transfer. **Please inform your financial institution that SERS will not honor any rollover request forms other than the SERS-254.**

Unless SERS receives your completed SERS-254 within 45 days after receiving your SERS-251, SERS will process your refund after deducting a mandatory 20 percent Federal Withholding Tax.

Please inform your financial advisors, attorneys or other representatives that, due to privacy issues, SERS cannot speak to them regarding your refund or rollover without your written authorization to do so. Without such authorization, SERS will only provide information about your retirement account to you.

About rollovers

For many people, IRAs are a great way to accumulate retirement income. The money that you place into an IRA, plus the interest it accrues, is **not taxable** until you withdraw it, as long as you do not withdraw it until age 59½ or older.

SERS cannot advise you as to the company or institution to which you should roll over your contributions and interest. We urge you to seek the advice of a qualified tax advisor or financial planner to assist you.

If you decide that a rollover is right for you, the following information will be helpful:

- SERS is a Governmental Plan, which is treated by the Internal Revenue Service as qualified under Section 401(a) of the Internal Revenue Code.
- Prior to completing your SERS-254, you should confirm that your financial institution is a qualified plan. If you have your refund rolled over to an unqualified plan, you could be subject to tax penalties.
- Only the **taxable** portion of your refund may be rolled over, and only contributions made on compensation received on or after January 1, 1982 are taxable.
- You can roll over a portion of your refund and receive part of it directly. The portion not rolled over will be subject to federal tax in the year you receive payment.
- Your contributions for service purchased after December 31, 1986 may be rolled over into a Roth IRA instead of being rolled over to a traditional IRA. To do this, however, you must pay regular income taxes on the taxable amount withdrawn from SERS. For specific information about the Roth IRA, see your tax consultant or financial advisor.
- If you do not roll over your taxable

contributions and will not reach age 55 by the end of the year in which you terminate employment, the federal government will impose a 10 percent Federal Excise Tax penalty when you file your taxes for the year in which you received your refund.

- A member who elects to receive and is paid a refund of contributions is still eligible for a direct rollover. The member must roll over the original refund plus the amount SERS withheld for Federal Withholding Tax **within 60 days** of receipt of the refund. For people under 55, the advantage of doing this is that you avoid the additional 10 percent Federal Excise Tax penalty and you may recover the Federal Withholding Tax deducted from your refund when you file your Federal income tax return.
- If you return to State service after rolling over your funds to an IRA, you can roll those funds back into SERS (if the funds are not commingled with other funds). Contact the SERS Membership Services Division at (717) 783-7310 for further information.

Important facts

- If you are still employed by the State (currently on payroll) and have creditable service that you want to purchase (for example, previous State service, military service, out-of-state teaching service, etc.), contact your Regional Retirement Counseling Center immediately. You **must** be an active contributing SERS member in order to purchase service credit. Purchasing creditable service may give you enough service to qualify for vesting or to apply for a disability or early retirement benefit.
- If you have properly elected Multiple Service credit and your combined SERS and PSERS service credits total five or more years, you are eligible for a retirement benefit from whichever of the systems you terminate last.

Frequently asked questions

Q: Should I return the refund application to my Regional Retirement Counseling Center or should I return it to SERS' Central Office in Harrisburg?

A: You should return the form to your Regional Retirement Counseling Center.

Q: How long will it take SERS to process my refund and/or rollover?

A: Allow eight to 10 weeks to receive your refund. The refund process is multi-phased. Before SERS can disburse your refund of contributions, your employing agency's Comptroller's Office must process your final payroll and certify any debt you have to the agency. After SERS receives that information, it processes your refund for payment. Checks are printed by the State Treasury and mailed directly to you. Incomplete or improperly completed forms delay the processing of your refund or rollover.

Q: How long do I have after I terminate service to apply for my refund?

A: There is no time limit to apply for a refund of your contributions. SERS pays 4 percent post-termination interest from the date of termination to the date of payment if your refund application is filed within **90 days** of your date of termination. If you do not file a refund application within 90 days of termination, your retirement account stops accruing interest when you terminate service. Call your Regional Retirement Counseling Center for details. If you apply for your refund more than three years following termination, you must submit a signed, notarized affidavit along with your SERS-251 form.

Q: What happens if I have overdrawn leave or some other agency debt?

A: If you have overdrawn leave or some other agency debt, SERS will deduct the debt from

your refund check. If your debt exceeds the amount of your refund, SERS will satisfy the debt directly to your agency with the amount in your retirement account. You will not be entitled to a refund and you will be responsible for payment of the balance of the debt. SERS will only pay out the amount in your retirement account, less 20 percent Federal Withholding Tax. **Agency debts will slow the processing of your refund.** If you are aware of an existing agency debt, contact your former employer to pay your debt. This will help to speed the process of closing your retirement account with your agency.

Q: Can I receive my refund in installments?

A: Yes. You can elect to receive your payment in up to four installments. The SERS-251 form will prompt you to provide the date and amount you would like to receive in each installment. Selection of an installment plan is final and binding.

Q: Why does SERS take 20 percent Federal Withholding Tax out of my refund check? What if I don't owe the entire 20 percent?

A: SERS is mandated by federal law to withhold 20 percent Federal Withholding Tax. If you do not owe 20 percent, you will be entitled to a refund when you file your federal income tax return. Conversely, 20 percent may not be enough withholding, depending on your other sources of income. If this does not cover your debt, you will have to pay the remainder yourself.

Q: Will SERS take the 10 percent Federal Excise Tax from my refund if I owe it?

A: No.

Q: What if I change my address after my application has been submitted?

A: Notify SERS immediately **in writing** of your new address. In addition, file a forwarding order with your local Post Office. It is very important that SERS has your correct address, not only for your refund check, but also to send you tax documents relating to your refund.

Q: Can I change my mind about rolling over my funds or change financial institutions once I submit the package?

A: Notify SERS immediately **in writing** if you decide to switch financial institutions or if you change your mind about rolling over your funds. If your refund or rollover has not yet been processed, a change can be made. If, however, your application has been processed and a payment is scheduled to be made, the information you submitted on your refund application or direct rollover form is binding.

Q: What if someone has Power of Attorney for me?

A: If someone has Power of Attorney for you, they may sign your refund application and/or rollover authorization form as your agent. If SERS does not already have a copy of your Power of Attorney on file, please send it along with your application. The Power of Attorney must be approved by SERS legal counsel before SERS processes your payment.

More information

For more information on refund procedures visit the SERS website at 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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