

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Mandatory Membership in the State Employees' Retirement System	Number: 570.1 Amended
Date: April 7, 2014	By Direction of:  David E. Durbin, Executive Director State Employees' Retirement System
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This directive establishes policy, responsibilities, and procedures for state employees to become members of the State Employees' Retirement System (SERS). Marginal dots are excluded due to major changes.

1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for enrolling state employees in SERS.
- b. To meet SERS' responsibility to administer the *Retirement Code* in accordance with existing laws passed by the General Assembly; its fiduciary obligation to SERS members; and its commitment to provide consultation and guidance to member agencies on all matters regarding SERS.

2. SCOPE. This directive applies to all departments, boards, commissions and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction that have employees who are eligible to become members of SERS. This directive shall be interpreted in accordance with the *Retirement Code*. Accordingly, SERS' policy and the responsibilities and procedures set forth herein are the same for all SERS employers and members. Refer to *Management Directive 570.6, Optional Membership in State Employees' Retirement System*.

3. OBJECTIVES.

- a. To ensure that agencies understand which employees must be enrolled in SERS, which employees have the option to be enrolled in SERS, and which employees cannot be enrolled in SERS.

- b. To ensure that agencies provide accurate information to employees and timely, complete information to SERS to facilitate prompt employee enrollment.

4. DEFINITIONS.

- a. **Accumulated Deductions.** The total of a SERS member's contributions plus credited interest earned on those contributions.
- b. **Active Member.** An employee for whom contributions are being made to SERS.
- c. **Annuity.** A series of periodic payments for a fixed period or for life. SERS annuity payments are made on a monthly basis and survivor options are available.
- d. **Creditable Service.** The service for which a SERS member has made or may make contributions to SERS including, for example: prior state service, military service, out-of-state and federal service in public school education, cadet nurse corps service, certain types of other governmental service, community college service prior to July 1, 1971 and justice of the peace service prior to January 1, 1970.
- e. **Credited Service.** One of the factors that determine a SERS member's eligibility for a retirement benefit as well as the amount of the benefit provided. Generally 1,650 hours in a calendar year is credited as one year of state service.
- f. **Inactive Member.** A SERS member who is not currently making member contributions, has accumulated deductions remaining in the fund, is not eligible to or has not elected to become a vestee, and has not filed an application for an annuity.
- g. **Mandatory Membership.** The membership in SERS that is required of all full-time state employees and permanent part-time state employees, unless such employees are specifically exempt from membership or have the option of enrolling in another retirement system. SERS members who terminate from state service, who do not withdraw their contributions or retire, and who later return to state service must re-enroll in SERS, even if they are not full-time or permanent part-time state employees.
- h. **Member Contributions.** The money that is withheld from a member's salary by his/her employer's comptroller and forwarded to SERS.
- i. **Multiple Service.** The designation used when a member elects to combine his/her total credited service in both SERS and the Public School Employees' Retirement System (PSERS) to receive a single retirement benefit.
- j. **Optional Member.** Pursuant to *Section 5301(a) of the Retirement Code*, the employees below who have the right to elect SERS membership (once such election is exercised, however, continued membership is mandatory until termination of state service):

(1) Governor

- (2) Lieutenant Governor
 - (3) Members of the General Assembly
 - (4) Heads or deputy heads of administrative departments
 - (5) Members of any independent administrative board or commission
 - (6) Members of any departmental board or commission
 - (7) Members of any advisory board or commission
 - (8) Secretary to the Governor
 - (9) Budget Secretary
 - (10) Legislative employees
 - (11) School employees who may elect membership in the Public School Employees' Retirement System (PSERS) or a third-party plan offered by their employer
- k. Public School Employees' Retirement System (PSERS).** A defined benefit, public pension plan established by the Public School Employees' *Retirement Code* that serves educational employers in Pennsylvania.
- l. Purchase of Service Credit.** The act of making contributions by actuarial reduction, payroll deduction, or lump sum payment to increase the total number of years of service that are used to determine vesting in SERS and the member's annuity, death benefit, etc.
- m. Retirement Code.** The Pennsylvania statute that authorizes and controls the administration, policies, and procedures of SERS as well as the rights and benefits of its members. The *Retirement Code* is set forth at *71 Pa. C.S. §§5101-5957*.
- n. SERS.** The organization created by the *Retirement Code* to administer retirement benefits for Pennsylvania state employees, including overseeing the pension system and, under the authority of the State Employees' Retirement Board, pursuant to the Act of November 6, 1987, *P.L. 394, No. 81, § 2, 72 P.S. § 4521.2*, managing the optional deferred compensation program.
- o. SERS Member.** An active member, inactive member, annuitant, vestee, or special vestee who is making, or has at any time made, contributions to the SERS fund. Eligibility for membership in SERS is specified in *Management Directive 570.1, Mandatory Membership in the State Employees' Retirement System* and *Management Directive 570.6, Optional Membership in the State Employees' Retirement System*.
- p. Termination of Service.** A break in employment of more than 14 calendar days. The effective date of termination is the date the initial break in employment occurred.

- q. **Uncredited State Service.** The service that meets the criteria for state “creditable service” earned by a SERS member that has not previously been credited to a member’s account.
- r. **Vested.** The status achieved by a SERS member who has met all the criteria required by his/her class of service to receive an annual annuity.
- s. **Vestee.** A SERS member who is under normal retirement age, is eligible to receive annuity payments from SERS, has terminated state service, and has elected to leave the total accumulated deductions in the fund and temporarily defer receipt of a SERS annuity.

5. POLICY.

a. **Mandatory Membership.** The following rules are to be applied in determining when membership in SERS is mandatory. These rules apply to all state employees except those listed in 5(b) and 5(c).

- (1) **Permanent full-time salaried or wage** employees must join effective their first day of employment.
- (2) **Permanent part-time salaried** employees must join effective their first day of employment.
- (3) **Non-permanent full-time and part-time wage** employees (including interns who are not working for educational credits and who are receiving wages from a SERS-covered employer) must join SERS effective their first day of employment if it is reasonable to expect that the employee will be compensated for at least 750 hours or 100 days (per diem) in the calendar year.
 - (a) In determining whether an employee is expected to be compensated for 750 hours or 100 days in the calendar year, it is not the nature of the position the employee may currently occupy that should be considered. Rather, it is the nature of the individual’s employment that should be considered. The position in which the individual is initially employed may be for a limited term but if the individual is expected to be employed on a full-time basis, then he or she should begin membership effective the first day of employment.
 - (b) If this threshold cannot be projected, then such employees are precluded from membership in SERS until they are compensated for 750 hours or 100 days in a calendar year. Membership is effective on the day in which the employee attains the 750 hours or 100 days of service threshold.
 - (c) The member has contributions deducted from his/her pay from the effective date forward.

- (d) SERS sends a mandatory invoice to the member for the covered state service rendered prior to reaching the 750 hour threshold. In addition to paying the invoice, an employee who qualifies for membership may be eligible to purchase other previously uncredited service.
 - (e) Once an employee qualifies for membership, such membership shall be mandatory and continuous until termination of employment, regardless of the number of hours or days worked in subsequent years.
- (4) Any employee who already is a member of SERS, regardless of the current type of employment, must resume active membership effective the first day of employment. However, if an employee withdrew his/her contributions and then returned to state service as a non-permanent, part-time employee, he/she is not required to become a member.
 - (5) Persons employed under special employment programs, which may be created in the future, are considered commonwealth employees and are subject to the same employment definitions and SERS' membership rules as specified in paragraph 5.a.
 - (6) If a question arises concerning the membership status of an employee, SERS makes the final determination.

b. Optional Membership.

- (1) Optional membership is available to certain individuals. Once membership is elected, it is irrevocable. **Note:** Those who decline membership are permitted to join at a later date provided they are actively employed in a position eligible for SERS membership. (Refer to *Management Directive 570.6, Optional Membership in State Employees' Retirement System* and "Membership Election Form" Form SERS-161.)
- (2) Employees for whom membership is optional are:
 - (a) Governor.
 - (b) Lieutenant Governor.
 - (c) Members of the General Assembly.
 - (d) Heads or deputy heads of administrative departments.
 - (e) Members of any independent administrative board or commission.
 - (f) Members of any departmental board or commission.
 - (g) Members of any advisory board or commission.
 - (h) Secretary to the Governor.
 - (i) Budget Secretary.

- (j) Legislative employees.
 - (k) School employees who may elect membership in PSERS.
 - (l) Eligible employees of the Department of Education, State System of Higher Education, Community Colleges, or the Pennsylvania State University who may elect to participate in other approved retirement programs.
- (3) Once membership is elected, it is irrevocable unless membership is terminated and the employee returns to an optional membership position.
- (4) An employee who may opt to become a SERS member must be informed by his/her agency's human resource office of the opportunity to join SERS and of the benefits, rights, duties, and other conditions of membership.
- c. **Prohibited Membership.** Employees who are prohibited from becoming members of SERS are:
- (1) Employees who have elected to retain membership in a retirement system of the political subdivision by which they were employed prior to becoming eligible for SERS membership.
 - (2) Employees who are not members of SERS and are employed on an hourly or per diem basis for fewer than 750 hours or 100 days in a calendar year.
 - (3) Persons who are not employees of the commonwealth such as contractors, vendors, interns earning educational credit, or any other person for which an employee/employer relationship does not exist.
- d. **Proof of Date of Birth.**
- (1) New SERS members are not required to submit proof of their date of birth to SERS. Employers, however, are required to obtain sufficient proof of an employee's date of birth to establish this information in the official personnel record. An employee's original birth certificate or baptismal certificate is acceptable.
 - (2) If an employee's birth or baptismal certificate is unavailable, any **two** of the following may be used to establish an employee's date of birth:
 - (a) Selective Service record.
 - (b) Armed forces discharge.
 - (c) Passport.
 - (d) School record.
 - (e) Life insurance policy.

- (f) Naturalization record.
- (g) Alien registration record.
- (h) Marriage record listing birth date or age, and date of record.
- (i) Letter from Social Security benefit recipients verifying age.
- (j) Federal Census record (taken as close to age five as possible).
- (k) Physician's or midwife's record of birth.
- (l) Valid Pennsylvania driver's license.
- (m) Bible or other family record.

6. RESPONSIBILITIES.

a. Agency Heads shall:

- (1) Ensure that sufficient administrative support is committed to accomplish the duties assigned herein and in all retirement-related directives.
- (2) Ensure that service and earnings records including hours paid, quarterly and annual earnings, and other employment history records are maintained in ways that conform to SERS' standards and are made available to SERS as required.
- (3) Ensure that human resource and payroll transactions, as they relate to an employee's SERS membership and eligibility for benefits, are completed and reported in a timely manner.

b. Agency Human Resource Offices/Human Resources Service Center shall determine the employment status of new employees to be used in establishing SERS membership. The commonwealth payroll system uses the terms "permanent" and "non-permanent" instead of the terms in the *Retirement Code*, which are "salaried" and "wage."

- (1) Permanent is equivalent to salaried. Permanent full-time and part-time employees are required to become SERS members upon their hire date, regardless of hours worked.
- (2) Non-permanent is equivalent to wage. Non-permanent, full-time or part-time employees are not required to become SERS members until they meet the 750 hour or 100 day requirement.

- (3) Employees returning to state service. Check SERS' employer online services to determine if an employee had prior SERS membership (a "footprint") and, thus, is required to become a member of SERS again upon their hire date. If so, the date of original hire determines the class of service for returning employees. They are not required to become members if they previously withdrew their contributions and have returned as non-permanent, part-time employees.

c. Agency Human Resource and Payroll Offices shall:

- (1) Jointly determine appropriate deduction rate for employees' retirement payroll contributions.
- (2) Coordinate maintenance of employment records and employees' accounts.

d. SERS shall:

- (1) Accept personnel and payroll information from the member's agency and establish a retirement account for the member.
- (2) Send the member's welcome package, unless the member had less than a six-month break in employment and is returning to service.
- (3) Monitor member account activity to ensure accuracy.

e. Employees shall:

- (1) Review the information contained in the welcome package.
- (2) Complete and return appropriate forms to SERS.
- (3) Notify their agency human resource office if previously enrolled in SERS.

7. PROCEDURES.

a. Agency Human Resource Office. Completes the transaction in Integrated Enterprise System (IES) or in another format approved by SERS.

- (1) If the employee is in an optional membership category as defined in paragraph 5.b., then the employee should be directed to contact the appropriate SERS regional counseling center for information prior to being enrolled. (Refer to *Management Directive 570.6, Optional Membership in State Employees' Retirement System* and *Management Directive 570.13, State Employees' Retirement System, Regional Counseling Centers* for procedures.)

- (2) Employees of the Pennsylvania Department of Education; the State System of Higher Education and its member universities; the Pennsylvania State University; and certain community colleges may elect to join retirement programs such as PSERS or the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF). Human Resources staff of those organizations must familiarize such employees with each option. Employees who elect membership in PSERS, TIAA-CREF or another alternate retirement plan do not need to complete a "Membership Election Form" (Form SERS-161).
- b. **SERS.** Upon receipt of a new hire transaction or receipt of retirement contributions on behalf of an employee, SERS sends members a welcome package with:
- (1) A welcome letter explaining the new member's responsibilities.
 - (2) A "New Member Welcome Package" (Form SERS-23) which allows the new member to take certain actions, if necessary or appropriate, such as:
 - (a) correcting the member's name, home address, social security number, date of birth, employing agency, and effective date of membership;
 - (b) requesting multiple service credit;
 - (c) requesting to purchase prior state and/or non-state service; and
 - (d) electing class A-4 service.
 - (3) An "Active/Vested Beneficiary Nomination Form" (Form SERS-402).
 - (4) A current member handbook.
- c. **Employees.** In addition to completing appropriate forms, all employees must indicate the following within the time frames indicated:
- (1) Any prior Pennsylvania public school service. An employee who has previous service with PSERS and who wishes to elect Multiple Service must do so within 365 days from their SERS membership effective date.
 - (2) Any annuity being received from PSERS. If an annuity is being received from PSERS, the employee may elect to have the annuity discontinued and receive Multiple Service credits *or* to receive credit in SERS while continuing to receive the annuity from PSERS.
 - (a) This does not apply if the employee was a Multiple Service member at the time of retirement, in which case the election of Multiple Service and the discontinuance of the annuity is mandatory.

- (b) For those who have the option, Multiple Service must be selected within 365 days from their effective date of SERS membership. Failure to exercise the option within 365 days results in forfeiture of the option.
- (3) An A-4 election if the member chooses to do so. An A-3 member has 45 days, from the date of the notice, to ensure that SERS receives a signed, dated form to elect to A-4 membership. The decision is final and binding for current and future employment with a SERS employer.

Enclosure 1 - New Member Welcome Package (Form SERS-23) - All new members enrolled in SERS with no footprint (with the exception of Class E1 and E2-Refer to Enclosure 2).

Enclosure 2 - New Member Welcome Package (Form SERS-23). All new members with prior enrollment in SERS.

Enclosure 3 - Membership Election Form (Form SERS-161)

Enclosure 4 - Active/Vested Beneficiary Nomination Form (Form SERS-402)

This directive replaces, in its entirety, *Management Directive 570.1*, dated May 8, 2006.