

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject:

Amending Data in Retirement and Personnel/Payroll Systems and Collecting Arrears Balances

Number:

570.11 Amended

Date:

April 7, 2014

By Direction of:

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State Employees' Retirement System

Contact Agency:

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This directive establishes policy, responsibilities, and procedures for amending data provided to the State Employees' Retirement System (SERS) and for collecting arrears balances from SERS members. Marginal dots have been excluded due to major changes.

1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for amending data in the SERS database regarding a member's retirement account and to the commonwealth personnel/payroll system as well as to provide for the collection of arrears payments.
- 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 members of SERS. This policy shall be interpreted in accordance with provisions of the *Retirement Code*. Accordingly, SERS' policy and the responsibilities and procedures set forth herein are the same for all SERS employers and members.

3. OBJECTIVES.

- a. To outline procedures and responsibilities to ensure that proper data changes are made to the member's retirement account and to the commonwealth personnel/payroll system.
- b. To provide an expeditious method for collecting arrears payments from SERS members.

4. DEFINITIONS.

- a. **Actuarial Reduction.** A method of purchasing creditable service or satisfying a debt that permits a SERS member to reduce their initial present value at the time of retirement in lieu of making payroll deduction, lump sum, or other out-of-pocket payment (also known as "actuarial debt").
- b. **Arrears Balance.** The balance owed to SERS for a purchase of service credit, frozen present value elimination, or to satisfy another obligation to SERS.
- c. **Beneficiary.** The person or organization who was last designated by a SERS member, in writing to the SERS Board, to receive any death benefit that may be payable.
- d. **Benefit Coverage Code.** A designation in SERS' database which indicates if a member has single, full/dual, or joint coverage. (SERS members who joined the system after 1968 have full/dual coverage.)
- e. **Initial Present Value.** The sum at the time a member retires that would be necessary to pay the member's monthly annuity, as determined by statutory formula, for the member's expected lifetime. As retirement benefits are paid, the initial present value is reduced accordingly and becomes "present value."
- f. **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.
- g. **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.
- h. **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.

- i. **SERS Member.** An active member, inactive member, annuitant, vestee, or special vestee who is, 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](#).
- j. **Vested.** The status achieved by SERS member who has met all the criteria required by his/her class of service to receive an annual annuity.
- k. **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. This policy is interpreted from the *Retirement Code 71 Pa. C.S. Sections 5101-5957* and regulations under *4 Pa Code Sections 241.1-250.15*.
- b. Except as otherwise provided by the *Retirement Code*, SERS membership is mandatory for all commonwealth employees. Therefore, agencies are required to report changes related to SERS covered employees' status to SERS in a timely manner. This includes but is not limited to:
 - (1) correctly reporting salary and service; and
 - (2) collecting and paying the correct contributions.
- c. As agents of SERS, agencies are required to provide any requested information to SERS as part of administering the *Retirement Code*.

6. RESPONSIBILITIES.

- a. **Agency Human Resource (HR) Office** shall promptly notify SERS when a change occurs in a member's employment status and, if appropriate, promptly update a member's personnel information.
- b. **Office of Administration, Office for Human Resources Management, Human Resources Service Center (HRSC)** shall promptly update a member's personnel information relating to employment status.
- c. **SERS Membership Services Division** shall promptly complete change transactions and notify members and/or employers of the transactions. Promptly make members aware of any mandatory purchases of service; prepare and forward mandatory and voluntary purchase-of-service invoices to members; and process such purchases.
- d. **SERS Member** shall promptly notify SERS of any eligible service the member desires to purchase; select a method of payment; timely return signed invoice to SERS; and make prompt payments, if applicable.

7. PROCEDURES.

a. Amending Data in the SERS Database about a Member's Retirement Account.

- (1) When SERS identifies a need to change a member's benefit coverage code or a member's contribution rate, SERS sends a memorandum to the HRSC or the Agency HR Office with the information to be corrected.
- (2) The HRSC or Agency HR Office, as appropriate, compares SERS' data with the benefit coverage code or contribution rate contained in the member's personnel history and makes any necessary adjustments to the commonwealth or agency personnel/payroll system.

b. Collecting Arrears Balances.

- (1) SERS Membership Services Division prepares an "Invoice of Amount Due" (Form SER21A), (see Enclosure 1) and sends it to the member for any eligible service which the member requested or is mandated to purchase.
- (2) The member elects a method of payment and returns the signed "Election Form" (Form SER21), (see Enclosure 2) to SERS.
 - (a) Except for the purchase of USERRA military leave, if the member elects actuarial debt or if a member does not respond to the invoice within 30 days, SERS Membership Services Division establishes an actuarial debt, updates the member's retirement account, and no further action is required by the member or the employer.
 - (b) If the member is purchasing USERRA military leave, the invoice must be paid in full through a lump sum payment or by payroll deduction in a timeframe that equals the lesser of three times the leave or five years. Actuarial debts are not permitted.
- (3) If the member elects lump sum payment:
 - (a) The member remits a check, made payable to the State Employees' Retirement Fund, for the amount due along with a signed copy of Form SER21 to:

Pennsylvania State Employees Retirement System
Membership Services Division
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
 - (b) SERS Membership Services Division updates the member's retirement account and issues a certification to the member acknowledging receipt of the lump sum payment, listing the service that has been added to the member's retirement account and listing any change in the member's effective date of membership.

- (4) If member elects payroll deductions:
- (a) The member reviews the "Invoice of Amount Due", selects the number of years and amount of payroll deductions he/she wishes to pay (refer to the chart on page 1 of the invoice), and notes his/her selection on the "Election Form". The member returns the signed copy of the "Election Form" to SERS at the above address.
 - (b) SERS Membership Services Division enters the purchase information into the commonwealth payroll system.
 - (c) Payroll deductions begin on the member's pay cycle following entry of the information.
 - (d) SERS Membership Services Division updates the member's retirement account upon receipt of first payroll deduction.
 - (e) If the member desires to pay off the balance after deductions have begun, he/she contacts SERS to obtain the balance due and stop deductions. SERS Membership Services Division stops deductions and issues an invoice to the member for the balance due. Once the member returns the signed invoice and check, SERS applies the sum to the member's account and makes the necessary arrears balance adjustment.

This directive replaces, in its entirety, *Management Directive 570.11*, dated March 23, 2006.

**Enclosure 1 – Invoice of Amount Due (Form SER21A)
Enclosure 2 – Election Form (Form SER21)**