

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania
Governor's Office

Subject: Furloughed State Employees Retirement System Members' Right to Earn Interest on Member Contributions	Number: 570.12 Amended
Date: April 7, 2014	By Direction of:  David E. Durbin, Executive Director State Employees' Retirement System
Contact Agency: State Employees' Retirement System, Membership Services Division, Telephone 1.800.633.5461 ext. 8289	

This directive establishes policy, responsibilities, and procedures for furloughed State Employees' Retirement System (SERS) members to earn interest on member contributions paid to SERS and for agencies to notify SERS when a furlougee is removed from the recall list. Marginal dots have been excluded due to major changes.

1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for ensuring that SERS members are aware of how their decisions to respond to a recall from furlough may impact their retirement contributions and for notifying SERS when a member has been removed from the furlough recall list.
- 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, who have been furloughed from their positions, and who are on a furlough recall list. This policy 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.

3. OBJECTIVE. To ensure SERS members are aware of how their decisions to accept or decline recall offers affect their retirement contributions.

4. DEFINITIONS.

- a. **Accumulated Deductions.** The total of a SERS member's contributions plus credited interest earned on those contributions.
- b. **Class of Service.** A designation set forth by the *Retirement Code* which outlines retirement qualification requirements and benefits for groups of employees based on employment, date of hire, or other factors. SERS has multiple classes of service.
- c. **Contribution Rate.** The percentage of a member's gross compensation contributed to SERS based on a member's class of service. Contributions are paid at different rates by both members and agencies.
- d. **Creditable Service.** The service for which a SERS member has or may make contributions 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. **Credited Interest.** The interest that SERS members' contributions accrue at four percent per year, compounded annually (also known as "statutory interest").
- g. **Date of Termination of Service.** The last day of service for which contributions are made for an active member or, in the case of an inactive member on leave without pay, the date of resignation or the date that employment is formally discontinued by the employer.
- h. **Furlougee.** A SERS member who is terminated from his/her position due to lack of work or lack of funds.
- i. **Normal Retirement Age.** The age at which a SERS member is eligible to receive an annuity that is not reduced by an early reduction factor as determined by his/her class of service (also known as "superannuation"). (Note: this definition is not intended for state or federal tax purposes.)
- j. **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*.
- k. **Retirement-Covered Earnings.** The compensation actually received as a state employee that is credited to a member's account and used to calculate his/her retirement benefit. Clothing allowances; payments for unused vacation, sick, and compensatory leave; and severance payments (among other payments) are not retirement-covered earnings.

- i. 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 *Act 1987-81*, managing the optional deferred compensation program.
- m. 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](#).
- n. 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.
- o. 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.
- p. 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.** A furlougee has a vested right to a retirement benefit and is credited interest on accumulated deductions until he or she applies for his/her retirement benefit, regardless of recall rights or placement on a recall list, if he or she:

 - (1)** is a member of any class of service other than the A-3 or A-4 classes and has at least five years of credited service or has reached normal retirement age with at least three years of credited service.
 - (2)** is a member of the A-3 or A-4 class of service and has at least ten years of credited service or has reached normal retirement age with at least three years of credited service.
- b.** A furlougee who does not have a vested right to a retirement benefit is credited interest on retirement contributions for up to two years from the date of furlough. Interest ceases prior to end of the two-year period if the furlougee is removed from the recall list or applies for the return of his/her accumulated deductions.

6. RESPONSIBILITIES.

- a. Agency Human Resource (HR) Offices** shall advise furlougees about how their decisions to accept or decline recall offers affect their retirement contributions; promptly notify SERS of any change in a member's employment and/or recall status.

- b. **SERS** completes all member transactions; advises inactive members of their retirement account options.

7. PROCEDURES.

- a. If a furlougee is removed from the recall list, the agency HR office must notify SERS immediately by memorandum, including the following:
 - (1) Agency name.
 - (2) Furlougee name.
 - (3) Furlougee Social Security Number.
 - (4) Effective date of removal from the recall list (date of refusal of recall, not date of furlough).
- b. The agency HR office will send the memorandum to:

Director
Membership Services Division
State Employees' Retirement System
30 North Third Street, Suite 150
Harrisburg, PA 17101-1716

This directive replaces, in its entirety, *Management Directive 570.12*, dated February 17, 2006.