

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania
Governor's Office

Subject: Optional Membership in the State Employees' Retirement System	Number: 570.6 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 an option to certain state employees to elect or decline membership in the State Employees' Retirement System (SERS). Marginal dots are excluded due to major changes.

1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for offering an option to certain state employees to elect or decline membership 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. *Sections 5301(a) and (b) of the Retirement Code* provide for optional membership in SERS for certain state employees if they are not already 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.

3. OBJECTIVE. To advise employees listed in *Section 5301(a) of the Retirement Code* of their option to elect or decline membership in SERS and to document their election.

4. DEFINITIONS.

- a. **Active Member.** An employee for whom contributions are being made to SERS.
- b. **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 a payroll deduction, lump sum, or other out-of-pocket payment (also known as "actuarial debt").
- c. **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.
- d. **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.
- e. **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.
- f. **Optional Member.** Pursuant to *Section 5301(a) of the Retirement Code*, the employees below 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
- g. **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.
 - h. **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 SERS *Retirement Code* is set forth at *71 Pa. C.S. §§5101-5957*.
 - 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 the Act of November 6, 1987, *P.L. 394, No. 81, § 2, 72 P.S. § 4521.2*, managing the optional deferred compensation program.
 - j. **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](#).
 - k. **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.

5. POLICY.

- a. The *Retirement Code* indicates that employees listed in *Section 5301(a)* who elect membership in SERS must remain members until the termination of state service (*71 Pa. C.S. Section 5301(b)*).
- b. Optional members who decline membership are permitted to elect membership in SERS at a later date, so long as they are actively employed in a commonwealth position eligible for membership in SERS. (The SERS regulation that makes declining membership irrevocable (*4 Pa. Code Section 243.1*) has been determined to be inconsistent with the *Retirement Code* and will not be enforced pending revision of the regulation. This policy will govern instead.)
- c. Effective the date of this amended directive, employees listed in *Section 5301(a)* of the *Retirement Code* must affirmatively choose to either elect or decline membership. (Prior to the date of this directive, employees were advised that inaction would be deemed as declining membership, from this date forward, they shall be advised that they must complete and return an election form to document their choice.)

6. RESPONSIBILITIES.

- a. **Agency Human Resource (HR) Office** shall advise all new employees in appropriate categories listed in *Section 5301(a)* of the *Retirement Code* that membership is optional and that a selection must be made (refer to *Management Directive 570.1, Mandatory Membership in the State Employees' Retirement System*); provide the new employee with a "Membership Election Form", (Form SERS-161), (see Enclosure 1); ensure that the form is completed; and appropriately file or forward Form SERS-161 to SERS.
- b. **SERS Membership Services Division**, if membership is elected, shall prepare and send an "Invoice of Amount Due" (Form SER21A), (see Enclosure 2) and "Election Form" (Form SER21), (see Enclosure 3) to the member for any eligible service the member has requested or is mandated to purchase (refer to *Management Directive 570.11, Amending Data in Retirement and Personnel/Payroll Systems and Collecting Arrears Balances*).
- c. **Agency HR Office**, if membership is declined, shall advise the new employee that membership may be elected at a future time, with an option to purchase the prior creditable service.
- d. **New Employee** shall promptly complete and return the "Membership Election Form", (Form SERS-161) to the agency HR office. If applicable, promptly completes and returns the "Election Form" (Form SER21) and makes timely payments to SERS.

7. PROCEDURES.

- a. New employees entering the optional membership categories listed in *Section 5301(a)* of the *Retirement Code* must be given the option to join SERS at the time of employment.
- b. If membership is elected, a new hire transaction and "Membership Election Form", (Form SERS-161) must be provided to SERS.
 - (1) The new hire transaction must contain the member's full name, agency number, social security number, address, date of birth, sex, employment start date, class, category and coverage codes, contribution rate, payroll frequency, contract hours, headquarters code, and periodic salary.
 - (2) After the new hire transaction is received, SERS will send a "Welcome Packet" to the member's home mailing address (refer to *Management Directive 570.16, State Employees' Retirement System, Duties of Departments and Agencies*).
 - (3) The form must be forwarded to:

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

- c. If membership is declined, a completed "Membership Election Form", (Form SERS-161) must be kept in the employee's file and sent to SERS at the above address.

This directive replaces, in its entirety, Management Directive 570.6 dated February 22, 2006.

Enclosure 1 – Membership Election Form (Form SERS-161, Rev 08/2011)

Enclosure 2 - Invoice of Amount Due (Form SER21A)

Enclosure 3 – Election Form (Form SER21)