

# MANAGEMENT DIRECTIVE

## Commonwealth of Pennsylvania Governor's Office

<b>Subject:</b> Reinstatement of Furloughed or Otherwise Terminated and Reemployed Employees in the State Employees' Retirement System	<b>Number:</b> 570.9 Amended
<b>Date:</b>  April 7, 2014	<b>By Direction of:</b>  David E. Durbin, Executive Director State Employees' Retirement System
<b>Contact Agency:</b> State Employees' Retirement System, Membership Services Division, Telephone 1.800.633.5461 ext. 8289	

**This directive establishes policy, responsibilities, and procedures for the treatment of furloughed and otherwise terminated employees who are subsequently reemployed by a State Employees' Retirement System (SERS) member agency. Marginal dots are excluded due to major changes.**

### 1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for the treatment of furloughed and otherwise terminated employees who are subsequently reemployed by a SERS member agency.
- 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 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 that eligible employees are properly enrolled or re-enrolled in SERS when returning to state service.

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. **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. **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.
- g. **Eligible Employee.** An employee who serves in a position that requires him/her to be a mandatory member or allows him/her to become an optional member of SERS as outlined 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](#).
- h. **Furlougee.** A SERS member who is terminated from his/her position due to lack of work or lack of funds.
- i. **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.
- j. **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 present value is reduced accordingly and becomes "present value."

- k. **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.)
- l. **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.
- m. **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.
- 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 *Act 1987-81*, 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. **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.
- r. **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. Furloughed or otherwise terminated SERS members who have withdrawn their accumulated deductions and are subsequently recalled or return to state service have the same status as a new employee in the membership class as set forth in the *Retirement Code*.
- b. Furloughed or otherwise terminated SERS members who have not withdrawn their accumulated deductions and are subsequently recalled or return to state service immediately resume SERS membership and begin making employee contributions upon return to employment.

- c. If a SERS member returns to state service within 14 days of furlough or other termination, no bona fide break in service exists; his or her SERS membership remains under the conditions that existed prior to furlough or other termination.
- d. A furloughed or otherwise terminated SERS member who is a member of a pre-*Act 2010-120* class and leaves state service with fewer than five years of credited service, or who is a member of the A3 or A4 class and leaves state service with fewer than ten years of credited service, and who reaches normal retirement age after the effective date of the furlough or termination cannot qualify for an annuity unless he or she returns to active employment and meets qualification criteria at a subsequent termination date.

## 6. RESPONSIBILITIES.

- a. **Agency Human Resource Offices** shall provide employees with accurate information; enroll or re-enroll previously furloughed or otherwise terminated employees in SERS; deduct contributions from the SERS member's pay; forward member contributions to SERS; and pay the employer contribution for the employee.
- b. **SERS**, upon notification of enrollment, shall notify the newly enrolled member who has not been a SERS member in the previous six months of his/her rights in accordance with *Section 5905(a)* of the *Retirement Code*.

## 7. PROCEDURES.

- a. **Non-vested members who are furloughed or otherwise terminated and who did not withdraw accumulated deductions.** Active membership is resumed immediately upon return to state service.
- b. **Furloughed or otherwise terminated members who filed an "Application for Refund of Member's Contributions and Interest" (Form SERS-251).** Membership is cancelled as provided in *Section 5302(e)* of the *Retirement Code*. If a member returns to state service within 14 calendar days of furlough or other termination, the withdrawal action is cancelled, payment is not made, and member contributions resume under the same membership conditions that existed under previous employment.
- c. **Furloughed or otherwise terminated members who vested pension benefits.** Active membership is resumed immediately upon return to state service. The employee is enrolled in SERS using the membership conditions in effect at the time of his/her return to service. Breaks in service of 14 or fewer calendar days are handled as indicated above.
- d. **Furloughed or otherwise terminated members who filed an application for retirement.** Active membership is resumed, the annuity is discontinued, and the present value is frozen immediately upon return to state service. The employee is enrolled in SERS using the membership conditions in effect at the time of his or her return to service. If a member returns to state service within 14 days of the effective date of retirement, the retirement action is cancelled and no payment is made.

- e. **Members who are reinstated as a result of arbitration awards, civil service adjudications, court orders, or grievance settlements.** See *Management Directive 570.8, Reinstatement of Terminated Employees Into the State Employees' Retirement System.*

**Enclosure 1 - Application for Refund of Member's Contributions and Interest (Form SERS-251)**

**This directive replaces, in its entirety, *Management Directive 570.9*, dated February 17, 2006.**