

# MANAGEMENT DIRECTIVE

## Commonwealth of Pennsylvania Governor's Office

<b>Subject:</b> Employer Contributions Required on the Purchase of Previously Uncredited State Service	<b>Number:</b> 570.5 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, procedures, and guidelines for the payment of employer contributions for previously uncredited state service purchased by a member 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 the payment of employer contributions for previously uncredited state service purchased by a member of 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 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. OBJECTIVES.

- a. To assign responsibility for the payment of employer contributions related to the purchase of previously uncredited state service.
- b. To ensure that funds are available for the payment of SERS pensions, when due.

### 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. **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.
- 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. **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 state service that are used to determine vesting in SERS and the member's annuity, death benefit, etc.
- f. **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*.
- g. **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.
- h. **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*.

- i. **Uncredited State Service.** The service that meets the criteria for “creditable service” earned by a SERS member that has not previously been credited to a member’s account.

## 5. POLICY.

- a. When a SERS member purchases previously uncredited state service that was rendered on/after March 1, 1974, an employer contribution is required.
- b. Responsibility for payment of the employer contribution rests with the agency at which the member is employed at the time the election to purchase the service is made.
- c. If a member is employed by more than one agency at the time of purchase and the member is purchasing previous service rendered with the current employer, that employer will pay the employer contributions. However, if the service being purchased is not with a current employer, the primary employer, as determined by SERS, will pay the employer contributions.
- d. If a non-general fund employer fails to pay an invoice for employer contributions and, thus, fails to build the required reserve to pay retirement benefits to its employee, SERS reduces the retirement benefit to which the employee would otherwise be entitled. (See Section 5509(c) of the *Retirement Code*).

## 6. RESPONSIBILITIES.

- a. **SERS Member.** Makes SERS aware of any eligible but previously uncredited state service the member desires to purchase; selects a method of payment; timely returns signed invoice to SERS; and makes prompt payments, if applicable.
- b. **SERS.** Upon a member’s election to make a purchase of service credit, bills the agency at which the member is currently employed for the employer contributions related to the purchase of previously uncredited state service and provides agency with an itemized schedule for employer contributions.
- c. **SERS, Bureau of Comptroller Operations.** Receives and processes invoices produced by SERS.
- d. **Agency.** Promptly pays invoice for employer contributions.

## 7. PROCEDURES.

- a. A SERS member notifies SERS that they desire to purchase eligible but previously uncredited state service.
- b. SERS processes the member’s request pursuant to the policy and procedures set forth in *Management Directive 570.11, Amending Data in Retirement and Personnel/Payroll Systems and Collecting Arrears Balances*.

- c. SERS, upon a member's election to make a purchase of service credit, bills and provides an itemized schedule to the agency at which the member is currently employed for the employer contributions related to the purchase of creditable service.
- d. SERS, Bureau of Comptroller Operations receives and processes the invoice and, upon agency approval, forwards the appropriate sum to SERS.
- e. The agency releases payment to SERS in the amount requested.

**This directive replaces, in its entirety, *Management Directive 570.5*, dated April 9, 2006.**