

SERS DEFINED BENEFIT PLAN REFUND PROCEDURES



When you leave state employment, whether to retire or to work elsewhere, you have a number of decisions to make regarding your SERS retirement benefit. Researching and considering all of your options before you terminate employment will give you the most time to make those important decisions, many of which cannot be changed later.

If you leave state service **before** you are eligible for monthly pension payments, you are entitled to a refund of the contributions you made toward your pension with interest. That generally means if you were hired **before** January 1, 2011, and you haven't yet worked five years; or if you were hired after January 1, 2011, and you haven't yet worked 10 years, you are entitled to a refund. If you were hired **after** January 1, 2019 you are a hybrid member with a defined benefit and defined contribution component.

The process of applying for a refund is simple and straightforward, and SERS retirement counselors are available to help you along the way.

Refund Procedures

- Contact a retirement counselor at 1-800-633-5461 for refund counseling and the forms you need to complete and return to SERS.
- Complete an *Application for Defined Benefit Plan Refund of Member's Contributions and Interest*.
- Complete a *Defined Benefit Plan Refund Counseling Checklist*.
- Complete an *Application for Defined Benefit Plan Direct Rollover*, if you feel a rollover is right for you.
- Complete an *Affidavit of Membership* **if** you left state service three or more years ago.
- If a member of SERS' hybrid retirement plan, another portion of your retirement benefit comes from your investments in the defined contribution plan administered by Empower Retirement. For more information on your disbursement and rollover options from your investments, talk with an Empower Retirement advisor at 1.800.633.5461.

Things to Consider:

- A debt to your agency will impact the refund process. SERS is required to notify your last employing agency of your application for the Defined Benefit Refund of Contributions and Interest and request certification of the existence or nonexistence of an agency debt. Before we can make a refund of contribution payment to you, we must receive the debt certification and termination notice from your agency. SERS is required to deduct an agency debt from your defined benefit lump sum or first installment refund check. If you are a hybrid member, an agency debt cannot be applied to your defined contribution account. Empower Retirement will not release defined contribution monies until a final termination is passed by your employer.

When you receive a refund of contributions your current service credits and eligibility points are canceled. If you are a hybrid member this impacts your vesting eligibility in the defined benefit and defined contribution plans. However, if you return to State service in the future, you may buy back your prior service credits and eligibility points by repaying the contributions you were refunded with interest. If you have any questions about the defined benefit refund process, you should contact your Retirement Counseling Center at 1 (800) 633-5461.

- Tax law requires that 20% of the taxable portion of your withdrawal be withheld for federal income tax, unless you roll it into another qualified plan, like the Deferred Compensation Program or an IRA. The money you roll over and the interest you earn on that money will not be taxable until you withdraw it, as long as you withdraw it from your qualified plan after reaching age 59½. SERS cannot advise you about a rollover, so we urge you to seek the advice of a qualified tax advisor or financial planner.

If you choose a rollover, you and your financial institution must complete an *Application for Direct Rollover of Taxable Payment* and return it to your retirement counselor **within 45 days** of your original application for refund. SERS will only accept a properly completed Application for Direct Rollover of Taxable Payment, so please tell your financial institution that we will not honor any other rollover request form.

Unless SERS receives your completed rollover application within 45 days of receiving your application for refund, SERS will process your refund after deducting the mandatory 20% for federal income tax.

- Withdrawing taxable money before the year you turn age 55 subjects it to a 10% federal excise tax penalty in addition to the federal income tax you may owe on it.
- If you are eligible for monthly pension payments and you first became a SERS member before January 1, 2011, you are entitled to monthly pension payments and a withdrawal of your contributions and interest. Contact your retirement counselor for more information.
- SERS pays 4% post-termination interest from the date of termination to the date of payment if your refund application is filed within **90 days** of your date of termination. If you do not file a refund application within 90 days of termination, your retirement account stops accruing interest when you terminate service.

NOTE: The State Employees' Retirement System (SERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances and is not a complete statement of the law or administrative rules. The statements in this document are not binding; and in any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail. Members' retirement-related information may be subject to disclosure under Pennsylvania's Right-to-Know Law.

More information

Contact a retirement counselor at 1.800.633.5461 for additional information and individual retirement estimates.

1.800.633.5461 | www.SERS.pa.gov

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