

## MEMBERSHIP OPTIONS

### SERS' A-3 or A-4 Class of Service

As a new member of SERS, you are a member of the A-3 class of service but you have 45 days to elect membership in the System's optional A-4 class instead. You need to consider this option carefully, consulting a financial planner or other advisor before making this **final and binding decision**.



### Differences between A-3 and A-4 classes

There are two differences:

- **Member Contribution Rate**, or the percent of money your employer withholds from your pay as your contribution toward your retirement benefit
- **Annual Benefit Accrual Rate**, or the rate at which your retirement benefit grows

	A-3 Class	A-4 Class
<b>Member Contribution Rate</b> (percent of your pay)	5.75%*	8.8%*
<b>Annual Benefit Accrual Rate</b> (percent of Final Average Salary)	2%	2.5%

\*According to the [shared-risk/shared-gain provisions](#) in the Retirement Code, this rate may increase or decrease based on the investment performance of the SERS Fund. The rate for class A-3 members will never increase above 8.25% or drop below 4.25%. The rate for class A-4 members will never increase above 11.3% or drop below 7.3%.

If you elect membership in the optional A-4 class, you will lock yourself into contributing a higher percent of your pay toward your retirement benefit -- more than 3% higher -- for as long as you are an active member of SERS.

### Things to consider:

- As you contribute more of your pay toward your benefit, your benefit will grow faster than in the A-3 class.
- If you run into unexpected financial problems in the future, you will NOT be able to reduce the amount of money withheld from your pay for your retirement benefit.
- Also, as a member of either class, your member contribution rate could increase in the future if SERS' annual investment returns over a multi-year period are lower than the assumed rate of return.

- You are strongly encouraged to consider all of your alternatives to save additional money for retirement, such as personal savings and investment accounts, including the commonwealth's Deferred Compensation program (for eligible commonwealth employees) before making a **final and binding decision** to elect membership in the A-4 class.

You should consult your financial planner or other advisor before making this decision. **Your decision is final and binding.**

## Benefit and contribution comparison

SERS is a Defined Benefit retirement plan, which means your retirement benefit is defined by a calculation:



Below are the calculations of the basic annual retirement benefit, and the total amount of contributions made by an employee with a final average salary (FAS) of \$40,000 and 35 years of credited service.

	<b>A-3 Class</b>	<b>A-4 Class</b>
<b>Annual Retirement Benefit</b>	$2\% \times 35 \text{ Years} \times \$40,000 =$ <b>\$28,000</b> <b>\$2,333/month</b>	$2.5\% \times 35 \text{ Years} \times \$40,000 =$ <b>\$35,000</b> <b>\$2,916/month</b>
<b>Total Member Contributions</b>	$\$40,000 \times 6.25\% \times 35 \text{ Years} =$ <b>\$80,500</b> (or approx. <b>\$90</b> withheld from <b>each biweekly pay</b> )	$\$40,000 \times 9.3\% \times 35 \text{ Years} =$ <b>\$123,200</b> (or approx. <b>\$135</b> withheld from <b>each biweekly pay</b> )
	In this case, the member contributed \$80,500 over the course of his service toward a maximum annual benefit of \$28,000 to be paid for his lifetime.	In this case, the member contributed \$123,200 over the course of his service toward a maximum annual benefit of \$35,000 to be paid for his lifetime.

This illustration assumes a fixed salary and fixed member contribution rate over the member's career.

### Your decision is final and binding

You have 45 days from your date of membership in SERS to elect the optional A-4 class. You will NOT have another election opportunity in the future and your decision to elect or not to elect membership in the A-4 class is **final and binding**, even if you leave active SERS membership and return later.

### Notifying SERS of your decision

If you choose to continue your SERS membership in the A-3 class, no action is needed and you do not need to return the form – you automatically continue to be a member of the A-3 class.

If you choose to elect membership in the optional A-4 class, you will need to complete the enclosed *Class A-4 Election Form* and submit it to SERS by the deadline printed on your election form.