

Disclaimer

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Members' retirement-related information may be subject to disclosure under Pennsylvania's Right-to-Know Law.

Monthly benefit payment plans

This pamphlet explains, in brief, the various options available to you as a member of SERS for receiving a monthly retirement benefit payment. It should be read along with relevant information in the current SERS Member Handbook and SERS web site, www.sers.state.pa.us. Review each option carefully. When planning your retirement, you may obtain benefit estimates and additional information from your Regional Retirement Counseling Center by calling toll-free 1-800-633-5461 or by using the Interactive Custom Calculator on the SERS web site.

Special notes

- All benefit amounts listed in the examples are for illustration purposes only. Do not use these amounts for your own calculations. Each member's benefit must be calculated individually.
- Each example assumes the member has reached normal retirement age (typically age 60 or any age with 35 years of service). Members who retire prior to reaching normal retirement age

will have an Early Retirement reduction factor applied that will lower the monthly benefit.

- Occasionally, legislatively enacted retirement incentives have been offered to SERS members based on age and years of service.
- All options listed require proof of age documentation.
- With limited exceptions, option election is final and binding.
- See the SERS pamphlet titled How to Apply for a Disability Retirement (SERS-152) for general information on disability retirement.

Maximum Single Life Annuity

The Maximum Single Life Annuity is the basic SERS retirement benefit. The Maximum Single Life Annuity provides the maximum monthly pension amount to which you are entitled for as long as you live. When you die, your beneficiaries will receive the accumulated deductions in your retirement account, less the amount of your withdrawal and any pension payments that you received. Your accumulated deductions are the total of your contributions plus interest. If the total amount of pension payments you received exceeds your accumulated deductions, no death benefit will remain to be paid to your beneficiaries. The following examples are based on a monthly benefit of \$583.33 and accumulated deductions of \$17,500 at retirement.

Example #1:

The total monthly pension payments you receive do not exceed your accumulated deductions. Payments of \$583.33 a month are made to you for two years (two years x 12 months x \$583.33 = \$14,000) and you then die:

\$ 17,500	Accumulated deductions
<u>- 14,000</u>	Payments for two years
\$ 3,500	Will be paid to beneficiaries

In Example #2 there is no death benefit to be paid to your beneficiaries. The only payment would be the amount due in the month of death for the number of days of that month you were alive. For example, if you were receiving \$583.33 a month and you died on the 15th day of a 30-day month, your estate would receive one-half (15/30) of \$583.33 or \$291.66. If no estate is opened after your death, the number of days payment will be paid to your next-of-kin.

Example #2:

The total monthly pension payments you receive exceed your accumulated deductions. Payments of \$583.33 a month are made to you for three years (three years x 12 months x \$583.33 = \$21,000) and you then die:

\$ 17,500	Accumulated deductions
<u>- 21,000</u>	Payments for three years
\$ 0	Will be paid to beneficiaries

Alternatives to the Maximum Single Life Annuity

Whether you have reached normal retirement age or are taking Early Retirement, you may wish to receive your monthly benefit under some payment plan other than the Maximum Single Life Annuity. The other choices or options are:

Option 1

Under this plan, you will receive a smaller monthly pension than the Maximum Single Life Annuity. Monthly pension payments will be made to you for life. When you die, your beneficiaries will receive your SERS account's present value at retirement, less the amount of pension payments you received. If the total amount of pension payments you received exceeds the amount of your present value, no death benefit will remain to be paid to your beneficiaries. The following examples are based on a monthly benefit of \$521.62 and a present value of \$88,373 at retirement.

Example #1:

Payments do not exceed the present value. Payments of \$521.62 a month are made to you for 10 years (10 years x 12 months x \$521.62 = \$62,594) and then you die:

\$ 88,373	Present value at retirement
<u>- 62,594</u>	Payments received over 10 years by member, who then dies
\$ 25,779	Will be paid to beneficiaries

In Example #2 there is no death benefit to be paid to your beneficiaries. The only payment would be the amount due you in the month of death for the number of days of that month you were alive. For example, if you were receiving \$521.62 a month and you died on the 15th day of a 30-day month, your estate would receive one-half (15/30) of \$521.62 or \$260.81. If no estate is opened after your death, the number of days payment will be paid to your next-of-kin.

Example #2:

Payments exceed the present value. Payments of \$521.62 a month are made to you for 15 years (15 years x 12 months x \$521.62 = \$93,891) and then you die:

\$ 88,373	Present value at retirement
<u>- 93,891</u>	Payments received over 15 years by member, who then dies
\$ 0	Will be paid to beneficiaries

Under Option 1, if at the time of your death the amount of payment due any beneficiary is less than \$10,000, it will be paid in a lump sum. If the amount due a beneficiary is \$10,000 or more, the beneficiary may choose to receive a lump sum or select one of several monthly payment plans.

Option 2

This plan also provides you with a smaller monthly pension than the Maximum Single Life Annuity because benefits are provided for two people. You receive a lifetime monthly pension. Upon your death, the survivor annuitant you designated

receives the same monthly pension for that person's lifetime.

The Option 2 benefit is computed using both your age and the age of the designated survivor annuitant at the time of your retirement. Proof of age documents are required under Option 2 for you and your designated survivor annuitant. The younger your designated survivor annuitant, the more severe the reduction of the monthly pensions.

Example: Assume an Option 2 lifetime benefit of \$450 a month at retirement. If you die before your designated survivor annuitant, that person will then begin receiving \$450 a month for life. Upon the death of your designated survivor annuitant, no further benefits are payable.

Under Option 2, you may change your designated survivor annuitant or change your retirement option only under the following conditions:

- Your designated survivor annuitant predeceases you;
- You become legally divorced after electing this option (regardless of whether your designated survivor annuitant is your former spouse); or
- You marry after electing this option.

Under these circumstances, you should contact your Regional Retirement Counseling Center. If you select another option, your benefit will be adjusted. Also, if you re-elect Option 2, your benefit will be adjusted based upon your age at that time and the age of your new designated survivor annuitant.

Option 3

This option also provides you with a smaller monthly pension than the Maximum Single Life Annuity because benefits are provided for two persons. You receive a lifetime monthly pension. Upon your death, the survivor annuitant you designated receives one-half that monthly pension for that person's lifetime.

The Option 3 benefit is computed using both your age and the age of the designated survivor annuitant at the time of your retirement. Proof of

age documents are required under Option 3 for you and your designated survivor annuitant. The younger your designated survivor annuitant, the more severe the reduction of the monthly pension.

Example: Assume an Option 3 lifetime benefit of \$500 a month at retirement. If you die before your designated survivor annuitant, that person will then begin receiving one-half of your monthly benefit of \$500 a month, or \$250 a month for life. Upon the death of your designated survivor annuitant, no further benefits are payable.

Under Option 3, you may change your designated survivor annuitant or change your retirement option only under the following conditions:

- Your designated survivor annuitant predeceases you;
- You become legally divorced after electing this option (regardless of whether your designated survivor annuitant is your former spouse); or
- You marry after electing this option.

Under these circumstances, you should contact your Regional Retirement Counseling Center. If you select another option, your benefit will be adjusted. Also, if you re-elect Option 3, your benefit will be adjusted based upon your age at that time and the age of your new designated survivor annuitant.

Option 4

If the Maximum Single Life Annuity and Options 1, 2 and 3 do not meet your needs, you may elect Option 4. With limitations and subject to SERS approval, Option 4 permits you to design a different plan than those described above. Under Option 4, you may do the following:

1. Withdraw Your Accumulated Deductions:

You may withdraw an amount equal to all or any part of your accumulated deductions. You may elect to receive this withdrawal in one lump sum or in up to four installment payments.

The installment payments will earn interest at the statutory rate of 4 percent a year until they are paid to you. If you withdraw your

accumulated deductions, you also must select a monthly payment option, and your lifetime monthly pension will be smaller because it is computed on the remainder of the present value of your account.

2. Design Your Own Monthly Payment Plan and Provide Annuities for Your Beneficiaries or Designated Survivor:

Any plan you design must be actuarially sound and consist of level monthly payments. Annuities for your beneficiaries or designated survivor may not be greater than one and one-half times the annuity payable to you.

If you choose to design your own Option 4 plan, it must be determined to be actuarially sound and be approved by SERS before your application for an annuity will be processed and before payments will commence. To avoid any unnecessary delay in the receipt of your initial annuity payment, it is to your advantage to obtain SERS' approval of your plan before you terminate State service.

Except under limited circumstances, options selections are final and binding.

More information

For more information on retirement options visit the SERS web site at www.sers.state.pa.us.

Members may also contact their Regional Retirement Counseling Center by calling toll-free 1-800-633-5461 for additional information and individual retirement estimates.

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