

Disclaimer

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SOCIAL SECURITY INTEGRATION COVERAGE

The purpose of this pamphlet is to provide information about participation in the Social Security Integration (SSI) program for members of SERS who elected this optional coverage. Care should be taken not to confuse the SSI program with Federal Social Security. They are separate and distinct programs, each requiring its own contributions and each providing a separate benefit.

SERS members were eligible to elect to participate in the SSI program starting August 1, 1968 and ending March 1, 1974. Members who elected to participate in the SSI program continue to accrue SSI benefits unless they have had a break in service or elected to discontinue participation in the program. Judges and Magisterial District Judges (District Justices) continue to be eligible to elect to participate in the SSI program as long as they are active contributing SERS members.

Contributing to the SSI program

Effective January 1, 2002, most SERS members contribute 6.25 percent of salary to their retirement accounts through payroll deduction. (Several special classes of members contribute at other rates.) With SSI coverage, each calendar year you contribute an additional 5 percent of your earnings in **excess** of the Federal Social Security Taxable Wage Base. Basically, this means SSI contributions start where your Federal Social Security taxes leave off.

Example

\$ 92,100	Annual salary in 2005
– 90,000	Social Security Taxable Wage Base in 2005
\$ 2,100	Earnings in excess of the Wage Base

As a regular SERS member, you would contribute 6.25 percent of your \$92,100 salary or \$5,756 to your SERS account. With SSI coverage, you would contribute an additional 5 percent of your \$2,100 earnings in excess of the Federal Social Security Taxable Wage Base, or \$105, as SSI contributions. Your total contributions to SERS for the year would be \$5,756 + \$105 = \$5,861. If your income did not exceed the Federal Social Security Taxable Wage Base (determined each year by the Social Security Administration), you would make no SSI contribution for the year.

Estimating your SSI benefit

Estimating your SSI benefit involves calculation of a two-part formula: 2 percent X average **non-covered earnings** (See "A" below) X the number of **years of SSI service credit** (See "B" below).

A. **Average non-covered earnings** depend on the date you elected SSI coverage. If you elected SSI coverage in **1968**, your average non-covered earnings equal the yearly average of your State earnings that exceeded the Federal Social Security Taxable Wage Base from the later of (1) your employment date or (2) January 1, 1956, to the earlier of the date you freeze your SSI account or the date you leave State service. (See the Sample

Salary History and Benefit Calculation section for an example of how the yearly average is calculated.) If you elected SSI coverage **on or after January 1, 1969**, only the earnings in the years from the time you elected SSI coverage to the date you freeze your SSI account or the date you leave State service, whichever occurs first, are used to determine your average non-covered earnings.

B. **Years of SSI service credit** are also determined by the date you elected SSI coverage. If you elected SSI coverage in **1968**, you receive SSI service credit for all your years of credited State service (except for previous State or nonstate service purchased after the date you elected SSI coverage). If you elected SSI coverage **on or after January 1, 1969**, you receive SSI service credit only for service rendered after the date you elected SSI coverage.

Examples

If you entered State service November 1, 1967, and elected SSI coverage **in 1968**, your years of SSI credit would be counted from November 1, 1967 (the date you entered service) to the earlier of the date you freeze your account or leave State service.

or

If you entered State service November 1, 1967, and elected SSI coverage **on or after January 1, 1969**, your years of SSI credit would be counted from the date you elected SSI coverage to the earlier of the date you freeze your account or leave State service.

NOTE:

- Your SSI benefit will be reduced if you retire before your normal retirement age (age 60 for most members) in the same way your regular SERS retirement benefit is reduced.
- A reduction also will be made if you take any of the payment options other than Maximum Single Life Annuity (as described in the SERS Member Handbook and SERS pamphlet entitled Retirement Options (SERS-154)).

- No SSI credits are given for previous State service or nonstate service (such as military service) purchased after the date you elected SSI coverage.
- If you qualify for a Long Service Supplement (have 41 or more years of credited service) and also have SSI credits, you will receive the larger of the two benefits, but **not both**. If you were eligible for SSI credits but did not receive them, special conditions apply.

Impact of termination and return to service on SSI

If you elected to participate in SSI, your coverage will continue as long as you are in State service or until you discontinue coverage. If you terminate State service, and later return, you will not be eligible to participate in SSI unless (1) you return to active service as a Judge or Magisterial District Judge (District Justice); or (2) you did not withdraw your SERS contributions when you left service and you return to active service within six months; or (3) you return to active service from Vestee, annuitant or disability annuitant status.

Discontinuing SSI participation

As a SERS active member you may elect to freeze your SSI account or withdraw completely from the SSI program at any time.

If you freeze your SSI account, you will make no further SSI contributions; however, you will retain any SSI benefit accumulated at the time your account was frozen. If you withdraw from the SSI program, SERS will refund your SSI contributions and credited interest.

You are thereafter **ineligible** to accumulate additional SSI credits or benefits unless (1) you return to active service as a Judge or Magisterial District Judge (District Justice); or (2) you did not withdraw your SERS contributions when you left service and you return to active service within six months; or (3) you return to active service from vestee, annuitant or disability annuitant status.

Either freezing your SSI account or withdrawing completely from the SSI program is, in most cases, **FINAL AND BINDING AND MAY NOT BE REVERSED**. You may also elect to freeze your SSI

account and at a later date elect to withdraw your SSI Accumulated Deductions.

NOTE: If you began your State service before **January 1, 1956**, and elected SSI coverage in **1968**, you should review your participation in the SSI program. If your annual salary has not exceeded the Social Security Taxable Wage Base in recent years, your benefit may be decreasing due to the method of calculation.

Disability benefits for members with SSI credit

In the event you become disabled, have SSI credit at the time of going on Disability Retirement, and have five or more years of credited service, you may receive SSI monthly benefits in addition to the regular disability benefit. You may, if you desire, elect a lump sum refund of your SSI Accumulated Deductions instead of the SSI monthly benefit. You must request this lump sum payment at the time you file your retirement application. Otherwise, monthly benefits will be paid to you automatically.

If at the time of going on Disability Retirement you have fewer than five years of credited service, you are ineligible for monthly SSI benefits, and your SSI Accumulated Deductions automatically will be paid to you in a lump sum.

Sample salary history and benefit calculation

Below is a sample salary history and benefit calculation (for illustration purposes only) for a member who entered State service on January 1, 1966, and elected SSI coverage on November 1, 1968. The effective date of retirement at age 60 (normal retirement age) is January 1, 2006.

- Total years of SSI participation: 40 (Because SSI was elected before January 1, 1969, credit for service extends back to the **start** of employment.)
- Total non-covered earnings: \$37,651 (total earnings in excess of the federal Social Security Taxable Wage Base).
- Average non-covered earnings: \$941.27 (divide \$37,651 by 40).

YEAR	SOCIAL SECURITY TAXABLE WAGE BASE	SALARY	NON-COVERED EARNINGS
1966	6,600	7,012	412
1967	6,600	8,167	1,567
1968	7,800	8,719	919
1969	7,800	10,332	2,532
1970	7,800	10,400	2,600
1971	7,800	11,718	3,918
1972	9,000	13,292	4,292
1973	10,800	15,535	4,735
1974	13,200	16,374	3,174
1975	14,100	17,959	3,859
1976	15,300	18,866	3,566
1977	16,500	19,751	3,251
1978	17,700	20,526	2,826
1979	22,900	21,864	0
1980	25,900	23,962	0
1981	29,700	24,694	0
1982	32,400	26,705	0
1983	35,700	27,729	0
1984	37,800	28,001	0
1985	39,600	29,001	0
1986	42,000	30,964	0
1987	43,800	33,739	0
1988	45,000	35,997	0
1989	48,000	40,109	0
1990	51,300	37,241	0
1991	53,400	40,461	0
1992	55,500	43,040	0
1993	57,600	42,356	0
1994	60,600	45,314	0
1995	61,200	47,399	0
1996	62,700	48,700	0
1997	65,400	53,120	0
1998	68,400	54,001	0
1999	72,600	56,010	0
2000	76,200	57,200	0
2001	80,400	58,100	0
2002	84,900	61,000	0
2003	87,000	65,000	0
2004	87,900	67,000	0
2005	90,000	70,000	0
TOTAL			\$37,651

- Formula for **maximum** annual SSI benefit: 2 percent X total years of SSI participation X average non-covered earnings **or** .02 x 40 x \$941.27 = \$753; \$753 divided by 12 = \$62.75 maximum **monthly** SSI benefit. The SSI monthly benefit is in

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addition to the SERS regular monthly retirement benefit. Both benefits would be adjusted if the member left service before normal retirement age or elected a SERS monthly benefit plan other than the Maximum Single Life Annuity.

The actual Social Security Taxable Wage Base from 1956, the first year Social Security was available to State employees, through 2005 is listed below.

Social Security Taxable Wage Base Table

1956	\$4,200	1973	\$10,800	1990	\$51,300
1957	\$4,200	1974	\$13,200	1991	\$53,400
1958	\$4,200	1975	\$14,100	1992	\$55,500
1959	\$4,800	1976	\$15,300	1993	\$57,600
1960	\$4,800	1977	\$16,500	1994	\$60,600
1961	\$4,800	1978	\$17,700	1995	\$61,200
1962	\$4,800	1979	\$22,900	1996	\$62,700
1963	\$4,800	1980	\$25,900	1997	\$65,400
1964	\$4,800	1981	\$29,700	1998	\$68,400
1965	\$4,800	1982	\$32,400	1999	\$72,600
1966	\$6,600	1983	\$35,700	2000	\$76,200
1967	\$6,600	1984	\$37,800	2001	\$80,400
1968	\$7,800	1985	\$39,600	2002	\$84,900
1969	\$7,800	1986	\$42,000	2003	\$87,000
1970	\$7,800	1987	\$43,800	2004	\$87,900
1971	\$7,800	1988	\$45,000	2005	\$90,000
1972	\$9,000	1989	\$48,000		

More information

For more information on SSI coverage visit the SERS website 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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