

## NEW MEMBER PLAN COMPARISON

As a new SERS member, you are now enrolled in a “hybrid” retirement plan, in the A-5 class of service. That means a portion of your retirement benefit comes from a defined benefit pension plan that features guaranteed monthly payments, and a portion comes from a defined contribution investment plan and the amount of money you earn from your personal investment choices.

### YOUR HYBRID PLAN – A-5 CLASS OF SERVICE

As a member of the A-5 class of service, your mandatory contribution toward your retirement benefit is 8.25% of your pay, which is split between the two plans with 5% going toward your pension and 3.25% going toward your investment plan. Your employer’s mandatory contribution toward your pension is calculated each year based on the assets and liabilities of the SERS pension fund and their mandatory contribution toward your investment plan is 2.25% of your pay. In general, the pension portion of your benefit is guaranteed to grow by 1.25% of your pay for each year you work for a SERS-participating employer. Income or loss in your investment plan is based on your investment choices and the markets.

### YOUR OTHER OPTIONS

#### Hybrid Plan – A-6 Class of Service

If you switch to the A-6 class of service, your mandatory contribution toward your retirement benefit would be 7.5% of your pay, split between the two plans with 4% going toward your pension and 3.5% going toward your investment plan. Your employer’s mandatory contribution toward your pension would continue to be calculated each year based on the assets and liabilities of the SERS pension fund and their mandatory contribution toward your investment plan would be 2% of your pay. In general, the pension portion of your benefit would be guaranteed to grow by 1% of your pay for each year you work for a SERS-participating employer. Income or loss in your investment plan would continue to be based on your investment choices and the markets.

#### Defined Contribution Plan/Straight investment plan option

If you switch to the straight investment plan option, you would contribute 7.5% of your pay toward your investment plan and your retirement benefit would be determined by the amount of money you earn from your personal investment choices and the markets.

### PLAN ESTIMATE COMPARISON

**Pension portion assumptions:** Employee works for 35 years with a final average salary of \$40,000.

**Investment portion assumptions:** 4%

	YOUR BENEFIT		YOUR OTHER OPTIONS	
	Hybrid Plan A-5 Class of Service	Hybrid Plan A-6 Class of Service	Straight Defined Contribution/Investment Plan	
<b>Total Benefit</b>	\$17,500 annual pension (\$1,458/month for life) + investment plan lump sum of \$165,244 at retirement	\$14,000 annual pension (\$1,167/month for life) + investment plan lump sum of \$165,244 at retirement	\$330,488 lump sum at retirement with no payment guarantee (you assume all investment risk)	
<b>Your Contributions</b>	\$70,000 to pension plan (\$77 from biweekly pay) + \$45,500 to investment plan (\$50 from biweekly pay)	\$56,000 to pension plan (\$62 from biweekly pay) + \$49,000 to investment plan (\$54 from biweekly pay)	\$105,500 (\$115 from biweekly pay)	

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	<b>YOUR BENEFIT</b>		<b>YOUR OTHER OPTIONS</b>	
	<b>Hybrid Plan A-5 Class of Service</b>	<b>Hybrid Plan A-6 Class of Service</b>	<b>Hybrid Plan A-6 Class of Service</b>	<b>Straight Defined Contribution/Investment Plan</b>
<b>Your retirement benefit is based on ...</b>	A mix of guaranteed monthly payments, for the pension portion, and your investment choices and the investment markets, for the investment portion	A mix of guaranteed monthly payments, for the pension portion, and your investment choices and the investment markets, for the investment portion		Your investment choices and the investment markets
<b>Your Contribution</b> (Percent of pay)	8.25%* (split) 5%* - pension 3.25% - investment	7.5%* (split) 4%* - pension 3.5% - investment		7.5%
<b>Annual Benefit Accrual Rate</b> (How your pension grows)	1.25% of pay for each year worked	1% of pay for each year worked		N/A
<b>Employer Contribution</b>	Calculated annually - pension 2.25% - investment	Calculated annually - pension 2% - investment		3.5%
<b>Vesting Period</b> (When you qualify for a benefit)	10 years - pension 3 years - investment	10 years - pension 3 years - investment		3 years
<b>Final Average Salary</b>	Highest 5 calendar years	Highest 5 calendar years		N/A
<b>SERS Retirement Age</b> (When you can retire without an early retirement reduction)	Age 67 w/3 years of service or Rule of 97 with 35 eligibility points	Age 67 w/3 years of service or Rule of 97 with 35 eligibility points		N/A
<b>Early Retirement Milestone</b>	Age 57 with 25 years of service	Age 62 with 25 years of service		N/A
<b>Early Retirement Reduction</b>	<b>If milestone reached:</b> 3% reduction for each year under age 67 Or <b>Age 62 with 10 years of service:</b> Actuarial reduction for each year under age 67 Or <b>10 years of service but not yet age 62:</b> Standard actuarial reduction from age 62-67 plus special 7.375% actuarial reduction for each year under age 62	<b>If milestone reached:</b> 3% reduction for each year under age 67 Or <b>Age 62 with 10 years of service:</b> Actuarial reduction for each year under age 67 Or <b>10 years of service but not yet age 62:</b> Standard actuarial reduction from age 62-67 plus special 7.375% actuarial reduction for each year under age 62		N/A
<b>Can you purchase prior state or military service?</b>	Yes, toward the pension portion of your benefit	Yes, toward the pension portion of your benefit		No.

\* The rate may change by 0.75% every three years and by no more than 3% overall based on the investment performance of the SERS fund under the shared-risk/shared gain provision.

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	<b>YOUR BENEFIT</b>		<b>YOUR OTHER OPTIONS</b>	
	Hybrid Plan A-5 Class of Service		Hybrid Plan A-6 Class of Service	Straight Defined Contribution/Investment Plan
<b>When you retire, your payment options include ...</b>	<p><b>Pension portion:</b> a lump sum withdrawal of your contributions and interest and guaranteed monthly payments that include options with varying death benefits</p> <p><b>Investment portion:</b> a lump sum payment, a rollover to another qualified plan, partial distribution through installment payments at participant's choice.</p>	<p><b>Pension portion:</b> a lump sum withdrawal of your contributions and interest and guaranteed monthly payments that include options with varying death benefits</p> <p><b>Investment portion:</b> a lump sum payment, a rollover to another qualified plan, partial distribution through installment payments at participant's choice.</p>	<p>A lump sum payment, a rollover to another qualified plan, partial distribution through installment payments at participant's choice.</p>	
<b>What happens if I leave my state job and no longer work for a SERS participating employer?</b>	<p><b>Pension portion:</b> if you are eligible for a benefit, you can retire and possibly incur an early retirement reduction or keep your money in the account ... if you are not eligible for a benefit, you can apply for a return of your contributions and interest</p> <p><b>Investment portion:</b> you have the choice of leaving your money in the plan or taking a distribution</p>	<p><b>Pension portion:</b> if you are eligible for a benefit, you can retire and possibly incur an early retirement reduction or keep your money in the account ... if you are not eligible for a benefit, you can apply for a return of your contributions and interest</p> <p><b>Investment portion:</b> you have the choice of leaving your money in the plan or taking a distribution</p>	<p>You have the choice of leaving your money in the plan or taking a distribution</p>	
<b>Are my benefit payments guaranteed to adjust based on increases in the cost of living?</b>	<p><b>Pension portion:</b> No</p> <p><b>Investment portion:</b> Possibly, if you choose a fixed annuity payment option that offers it</p>	<p><b>Pension portion:</b> No</p> <p><b>Investment portion:</b> Possibly, if you choose a fixed annuity payment option that offers it</p>	<p>Possibly, if you choose a fixed annuity payment option that offers it</p>	
<b>Is there a disability retirement benefit?</b>	<p>The pension portion of your benefit includes a disability retirement benefit that is administered by SERS</p>	<p>The pension portion of your benefit includes a disability retirement benefit that is administered by SERS</p>	<p>No, however, some employees under the governor's jurisdiction may qualify for partially paid health care through the Office of Administration</p>	
<b>Can I switch my plan later?</b>	<p>Only within the first 45 days of your membership in this plan</p>	<p>No, your enrollment is final and binding</p>	<p>No, your enrollment is final and binding</p>	
<b>Can I contribute extra money to my retirement plan?</b>	<p><b>Pension portion:</b> No</p> <p><b>Investment portion:</b> Yes, however, in most cases there are tax advantages to making voluntary contributions through the supplemental deferred compensation plan</p>	<p><b>Pension portion:</b> No</p> <p><b>Investment portion:</b> Yes, however, in most cases there are tax advantages to making voluntary contributions through the supplemental deferred compensation plan</p>	<p>Yes, however, in most cases there are tax advantages to making voluntary contributions through the supplemental deferred compensation plan</p>	

# NEW MEMBER PLAN COMPARISON

## NOTIFY SERS OF YOUR DECISION

You have **45 days** in which you could switch to a different class of service in the hybrid plan, or give up the pension portion of your benefit all together and switch to a straight investment plan option. This document provides you with a comparison of your retirement benefit options. The enclosed *Features and Highlights* provides additional information on the pension plan and defined contribution/investment plan.

If you choose to remain in the hybrid A-5 class of service, do nothing.

If you choose to switch to one of your other options, please mark your choice on the enclosed *Election Form - Hybrid Plan Class A-6 or Straight Defined Contribution Plan* and return it in the enclosed envelope.

Your choice is final and binding, even if you leave state employment and later return to work for a SERS-participating employer.

## THINGS TO CONSIDER

If you change jobs and move into one of the hazardous-duty positions that are exempt from the hybrid and straight investment plan options, you will earn a traditional pension benefit (no investment plan component) in one of two different classes of service.

If you choose the straight defined contribution plan, there will be no pension portion to your retirement benefit, including no SERS disability retirement benefit, no ability to purchase prior military service, and no ability to combine you SERS credited service with service credited in the Pennsylvania Public School Employees' Retirement System for one combined pension benefit.



### Deferred Compensation Plan

Most employees also are eligible to participate in the Deferred Compensation Plan, which is a voluntary supplemental investment plan with tax deferring benefits. Please consider all of your alternatives to save additional money for retirement, including deferred comp and personal savings, and discuss your alternatives with your financial planner or other advisor before making this final and binding decision about your state employee retirement benefit.