

# 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 pension. 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 (earned five "eligibility points"), or if you were hired **after** January 1, 2011, and you haven't yet worked 10 years (earned ten "eligibility points"), you are entitled to a refund.

The process of applying for a refund is simple and SERS pension plan specialists are available to help you along the way.

## Refund Procedures

- Contact a SERS pension plan specialist at [ra-SERSretc@pa.gov](mailto:ra-SERSretc@pa.gov) or 1.800.633.5461 for refund counseling and forms.
- Complete a *Defined Benefit Plan Member Contribution Refund Application*.
- Complete a *Defined Benefit Plan Refund Counseling Checklist*.
- If you would like to have your pension plan contributions and interest rolled into another retirement plan for tax or other reasons, complete an *Application for Defined Benefit Plan Direct Rollover*.
- If you left state service three or more years ago, complete an *Affidavit of Membership*.

## Things to Consider:

- If you are a member of SERS' Hybrid Plan, please keep in mind that another portion of your retirement benefit comes from your Defined Contribution Plan investment account. That plan is administered by Empower. For more information on your disbursement and rollover options from your investment account, talk with a Defined Contribution Plan Specialist at 1.866.737.7457.
- A debt to your agency/employer will impact the refund process. When you apply for a refund of your pension contributions and interest, we are required to notify your last employer of your request so they can certify the existence of any debt. If there is a debt, we are required to deduct it from your pension refund lump sum or first installment payment. If you're a member of the SERS Hybrid Plan, an agency debt cannot be applied to

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your Defined Contribution Plan investment account. Empower; however, will not disburse money from your investment account until your employer issues a final termination notice, which cannot happen until all debts have been cleared.

- When you receive a refund of your pension contributions, your service credit and “eligibility points” reset to zero. This impacts your vesting eligibility in the pension plan, and if you are a member of the Hybrid Plan, it also impacts your vesting eligibility in the investment plan. (When you are vested in the pension plan, you are eligible for monthly pension payments. When you are vested in the investment plan, you are eligible for the contributions your employer made to your investment account.) If you return to work for a SERS-participating employer in the future, you may buy back your prior service credit and eligibility points in the pension plan by repaying the pension contributions you received, with interest.
- Tax law requires that 20% of the taxable portion of your refund be withheld for federal income tax, unless you roll it into another qualified plan, like the Deferred Compensation Plan 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. We 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 pension plan specialist **within 45 days** of your original application for a 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.

**We will automatically withhold the mandatory 20% for federal income tax UNLESS we receive a completed rollover form within 45 days of receiving your refund application.**

- 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 file your refund application **within 90 days** after your employment termination date, you will receive 4% interest from your employment termination date until the payment date.
- 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 SERS pension specialist for more information.

## More information

Contact a SERS pension plan specialist at [ra-SERSretc@pa.gov](mailto:ra-SERSretc@pa.gov) or 1.800.633.5461 for additional information.

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