



RETIREMENT OPTIONS FOR APSCUF MEMBERS UPDATED JULY 2011

New to APSCUF? You Have Choices for Retirement!

APSCUF faculty members have the option of participating in the [State Employees' Retirement System](#) (SERS), the [Public School Employees' Retirement System](#) (PSERS) or the [Teachers Insurance and Annuity Association-College Retirement Equities Fund](#) (TIAA-CREF). SERS and PSERS are defined benefit plans. TIAA-CREF is a defined contribution plan.

In 2003, three additional defined contribution retirement plans became available: [ING](#), [MetLife](#) and [VALIC](#). Recently, the Pennsylvania State System of Higher Education (PASSHE) discontinued the MetLife plan option and added [Fidelity](#). PASSHE categorizes TIAA-CREF, ING, VALIC and Fidelity as parts of the Alternative Retirement Plan (ARP).

You will have 30 days to make your selection, or you will be placed in the State Employees' Retirement System automatically.

Choosing a Defined Benefit Plan

In defined benefit plans like SERS and PSERS, the retirement benefit is determined by a statutory formula that includes an employee's final average salary, years of service and a multiplier.

Information for New Hires

In 2010, Governor Rendell signed House Bill 2497 into law as Act 120. This legislation preserves all the benefits now in place for all current members, but mandates a number of benefit reductions **for future SERS/PSERS members hired after January 1, 2011.**

The following benefit reductions were included the bill:

***Creates a new A-3 Class of Service for future non-judicial employees entering SERS membership and a new T-E Class of Service for PSERS on or after January 1, 2011.** As is the case with most current SERS members, the new A-3 members will contribute 6.25 percent of their pay toward their benefit; however, they will accrue benefits at only 2 percent of their Final Average Salary for each year of Credited Service (as opposed to the 2.5 percent accrual rate for most current members). PSERS members will also accrue benefits at 2 percent, but have an employee contribution base rate of 7.5 percent. Employees will be under a "shared risk"

provision that could cause the total contribution levels to fluctuate between 7.5 percent and 9.5 percent.

***Creates an optional new A-4 Class of Service for future non-judicial employees entering SERS membership or T-F Class of Service for PSERS on or after January 1, 2011.** New members under SERS who elect this Class of Service will contribute 9.3 percent of their pay toward their benefit in order to accrue benefits at the rate most members currently do, 2.5 percent of their Final Average Salary for each year of Credited Service. The employee contribution base rate for PSERS is 10.3 percent. There is also a “shared risk” provision that could cause the total contribution levels to fluctuate between 10.3 percent and 12.3 percent.

All new members will automatically become either Class A-3 or T-E members. New members however, will have a one-time opportunity to elect Class A-4 or T-F after receiving written notification from SERS or PSERS. Failure to elect Class A-4 or T-F at time of original eligibility will make the member ineligible for Class A-4 or T-F forever. The election is permanent.

Other provisions of Class A-3, A-4 and Class T-E, T-F Members

- Vesting period increases from five years to 10 years. Vesting period for disability remains unchanged at five years.
- Retirement age increases to age 65 or at any age with 35 years of service (previous 60/62 and 30 years of service).
- Eliminates the Option 4 (lump sum payout) upon retirement.
- Requires members who wish to purchase creditable non-state service, to pay the full actuarial cost of the increased benefit attributable to the purchase.
- Gradually increases funding through the use of collars that cap employer contribution rate increases. Increases are capped at:
 - 3 percent in 2011-12
 - 3.5 percent in 2012-13
 - 4.5 percent each year thereafter until no longer needed

For Current Members

According to state law, new SERS members contribute 6.25 percent of their gross salary and new PSERS members contribute 7.5 percent of their gross salary. The state contributes a percentage of the employee's gross salary. An actuary annually establishes the employer contribution rate. Both SERS and PSERS require five years of service to be vested. Cost of living adjustments for SERS and PSERS annuitants may be provided on an ad-hoc basis by an act of the state legislature.

Choosing a Defined Contribution Plan

TIAA-CREF, ING, MetLife, and Fidelity are defined contribution plans, also referred to as alternate retirement plans. In these plans, the retirement benefit is determined by employee contributions, employer contributions, and the interest and earnings of the employee-selected investment funds at the time of retirement. To state it another way, stock and bond market performance affect the value of the retirement benefit. Employees contribute 5 percent of their gross salary. State law requires the employer to contribute 9.29 percent of the employee's gross salary. There is immediate vesting with defined contribution plans.

If you participated in TIAA-CREF prior to coming to the PASSHE and were pleased with the performance, you might want to continue with that provider. Also, if you intend to leave the PASSHE before the five-year vesting period for the two state systems, chances are you'll be able to continue in the TIAA-CREF program at your next job in higher education. Due to APSCUF's effort, the TIAA-CREF members now have the same benefit that SERS members acquired in December 1982 (i.e., the tax sheltering of the individual's retirement contribution for federal income tax purposes only.)

The major advantage of the defined contribution option is that it reduces your losses if you leave the PASSHE before the five-year vesting period. Under SERS and PSERS, if you leave before being vested, you lose the employer contributions to the retirement fund. You are eligible to receive the employee contributions plus statutory interest. With the defined contribution option, the employer contributions have purchased shares in your name that are yours forever, regardless of when you leave state employment.

Purchasing Service Credit

If you taught in another state before accepting your post at the PASSHE, both SERS and PSERS offer an option that permits you to purchase your out-of-state service time. This is only for public school or public higher education service or service as a state employee, not for private school or private university service. Both the PSERS and SERS have options that permit participants to purchase credits for military time, a factor you might take into consideration when making your decision.

Time frames and payment options for purchasing credit in PSERS can be found [here](#).

Additional information on how to purchase service credit through SERS can be found [here](#).

PLEASE REMEMBER THAT YOU HAVE 30 DAYS TO MAKE YOUR SELECTION OR YOU WILL BE AUTOMATICALLY PLACED IN THE STATE EMPLOYEES' RETIREMENT SYSTEM.