



Transfer from an Independent Retirement Program to SERS

Attention APSCUF:

At the September 2007 Legislative Assembly, APSCUF members unanimously voted to approve introducing legislation that would allow a one-time opportunity to terminate service in an Independent Retirement Program and begin Class AA service in the State Employees' Retirement System (SERS). Proposed legislation is currently in discussion with members of the Senate and will be introduced shortly. A co-sponsorship memo is currently in the Senate asking members to become co-sponsors on the proposed legislation. **APSCUF asks you to contact your state Senator and ask them to list their name as a co-sponsor of this proposed legislation.** We offer the following summary and talking points for your review and potential usage.

What does the proposed legislation do?

The creation of this legislation establishes a one-time, 180-day window allowing employees who participate in an independent retirement program such as TIAA-CREF, Vanguard, Met Life, etc... to terminate their current contributions to their independent retirement program and elect membership in Class AA of the State Employees Retirement System (SERS) to begin contributions. The legislation also sets a future standard that when tenure decision is reached for a faculty member; the individual has a 180-day window of opportunity to make a one-time decision to switch their retirement plan.

What is the time frame of the legislation?

Once enacted, the legislation would go in effect a 120 days after passage. This would allow opportunity for eligible individuals to discuss their decision with a financial advisor. After the legislation would go into effect, the individual would have 180 days to make the one-time switch. For future employees, they would also be given an opportunity 180 days after receiving tenure to make a switch.

Who would be eligible to make the switch?

Under the proposed legislation, all state employees under subsection (a)[(12)], (13), (14) and (15) of the Retirement Code would be granted this opportunity. This would include potential employees from the Pennsylvania State System of Higher Education, Penn State University, select Community Colleges, and a few individuals from the Pennsylvania Department of Education.

How would the legislation work?

State employees that choose to make the switch would terminate their ongoing contributions into their independent retirement plan and begin contributions as a new member of SERS. Once in SERS, the employee would be under all current regulations and be eligible for SERS benefits. The employee would no longer be able to contribute to their independent retirement program.

Would pension credit be transferrable?

Under this proposed legislation, pension credit is not transferable. The individual would simply terminate contributions to the independent retirement plan and start fresh in SERS.

Does APSCUF recommend one plan over the other?

APSCUF does not recommend one plan over another and each plan has unique characteristics and benefits for each individual. It is nearly impossible to directly compare the defined benefit plan to the defined contribution plans and APSCUF encourages each individual to discuss potential options with a financial advisor. APSCUF recommends each individual make a personal commitment to review the characteristics of both plans because there have been cases of misinformation being given to individuals regarding either plan.

Key reasons for the urgent need of this legislation:

- 1) The bill addresses pension inequities between SERS members and independent retirement program members (TIAA-CREF) arising from the increase in the SERS multiplier from 2.0% to 2.5% and the change in the SERS vesting period from 10 years to five years.
- 2) The employer contribution rate paid to independent retirement programs, such as TIAA-CREF, has remained the same since 1992. Notwithstanding the fact that SERS members retirement benefits were increased by 25 percent in the year 2001, there has been no increase whatsoever in the employer contribution paid to independent retirement programs, much less a contribution which would provide TIAA-CREF members with a 25 percent pension increase.
- 3) Until 2001, membership in the SERS would not vest until 10 years of service credit were earned. Unlike the vast majority of state employees who, through Civil Service or collective bargaining contracts, would obtain job security after 90 days of service, college and university faculty could not obtain comparable job security until achieving tenure, a process that would take five years or longer. Accordingly, to avoid the penalty of losing unvested SERS pension benefits that would result if tenure wasn't granted, large numbers of college and university faculty members opted for the portability of participating in an independent retirement program, such as TIAA-CREF. Also, some faculty members went from temporary employment status to full time employment status and never really had a meaningful opportunity to elect into the SERS.
- 4) Faculty must make a retirement option decision within 30 days of going onto university payrolls. Since payroll entries are usually made two or more weeks before the semester begins, faculty often are forced to make a decision within two weeks. That is not ample time to consider options.
- 5) The goal of this bill is allow members to opt into SERS so they have the same opportunity to partake in the benefit changes that members already in SERS received. In the end, members choosing this option would retire under two separate accounts. This legislation is revenue neutral and will not be a fiscal burden for the state. In fact, there may be some short term savings to the Commonwealth in that short term employer contributions to alternative retirement programs are likely to be more than what the short term employer contributions are projected to be to the SERS.

What do you need to share with your legislator?

You need to review with your legislator the above talking points in support of the legislation. More importantly, you need to describe your personal account of why this legislation is important to you, including some of these reasons as possibilities:

- 1) You were given incorrect information before making your decision
- 2) You were not given adequate information or time to make such an important decision.
- 3) You feel jaded because you would have gone into SERS if you had known the vesting period was going to be decreased.
- 4) You were a temporary faculty member at the time and were forced into a plan and never had the opportunity to choose.
- 5) You want to share with your legislator that TIAA CREF has largely been ignored by them since 1992, even though it was recommended that TIAA CREF increase its Employer Contribution Rate.
- 6) You understand that this legislation can provide at least some short term cost savings to the state, since the Employer Contribution Rate will be smaller than if the individual stayed in TIAA CREF.
- 7) You understand that the legislation will help to keep quality faculty in PASSHE and other institutions in Pennsylvania by securing their retirement and providing a long-term investment in education.

Who do I contact?

You will want to contact your own Senator and also make sure Senators in your surrounding campus area have been contacted. If you don't know who your Senator is, simply send an email to lstatler@apscuf.org with your address and I'll provide the contact information. I have also provided a general contact list of Senators for each university.

Questions?

Contact Laura Statler, Assistant Director of Governmental Relations, at lstatler@apscuf.org or (717) 236-7486 (ext 3026). I am maintaining an email distribution list to provide updates on this legislation. If you know of individuals that would like updates, please have them email me.