Retirement Plan Comparison

Applicable to employees eligible on/after January 1, 2019

Pennsylvania's STATE SYSTEM of Higher Education

Eligibility

For State System employees, enrollment in the retirement program is required, effective the first day of employment as a permanent full-time or part-time employee. Temporary employees must enroll in the retirement program once they have worked 750 hours in a calendar year.

Newly eligible employees have 30 days from their eligibility date to choose a retirement plan, the Alternative Retirement Plan (ARP) or the State Employees' Retirement System (SERS).

If you do not select a retirement plan within 30 days, you will automatically be enrolled in SERS. Once enrolled in a retirement plan, that enrollment is irrevocable, meaning you must remain in that retirement plan for the duration of your employment, even if you leave employment with the State System and return to work later.

Alternative Retirement Plan (ARP)

Employee Contribution – 5% of Salary
State System Contribution – 9.29% of Salary

Fidelity INVESTMENTS TIAA

State Employees Retirement Plan (SERS)

Employee Contribution - 8.25% or 7.5% of salary, depending on plan selection.
State System Contribution - Pension plan is calculated each year based on assets and liabilities of SERS pension fund. Straight Investment Plan is 3.5% of salary.

pennsylvania STATE EMPLOYEES' RETIREMENT SYSTEM

The employee and employer percentages are set by law in the State Employees' Retirement Code and are generally fixed with the exception of a shared-risk/shared gain provision on your contribution to the SERS hybrid plans. If SERS investments fail to achieve the assumed rate of return over a number of years; or conversely, if SERS investments outperformed the assumed rate of return over a number of years, your SERS contribution rate for the hybrid plans could change by no more than 3% over the base rate for your class of service in the pension system.

Plan Estimate Comparison

This chart provides an estimate of the pension benefit for an employee who was employed for 35 years with a final average salary of $40,000, assuming the investment portion of the plan earns 4%.

	State System ARP	SERS Class A5 Hybrid Plan	SERS Class A6 Hybrid Plan	SERS Straight Defined Contribution/ Investment Plan
Total Benefit	$429,000 lump sum at retirement*	$17,500 annual pension + Investment plan $165,244 lump sum at retirement*	$14,000 annual pension + Investment plan $165,244 lump sum at retirement*	$330,488 lump sum at retirement*
Your Contributions	$70,000 ($77 from biweekly pay)	$115,500 ($127 from biweekly pay)	$105,000 ($116 from biweekly pay)	$105,500 ($115 from biweekly pay)

*Income or loss based on your investment choices and the market

Retirement Plan Summaries

Alternative Retirement Plan (ARP)

The Alternative Retirement Plan is a defined contribution plan. Retirement income from the ARP plan is determined by your account balance at the time of retirement, comprised of your employee contributions (5% of salary), the State System contributions (9.29% of salary) and any earnings based on the performance of the investments you choose.

Participants are 100% vested from their date of enrollment, which means from the date the monies are deposited into your ARP account, they are yours to keep. The ARP account is also portable, meaning if you leave employment before retirement, you can rollover those monies into a new employer's retirement plan, or into a different retirement account such as an IRA.

Employee 5% + Employer 9.29%

You decide how the benefit is paid at your retirement. You can take a one-time lump sum payment, partial distribution payments, or if you like the idea of receiving a guaranteed lifetime income that you cannot outlive, you can convert your ARP retirement monies to a lifetime annuity.

$2,300 Monthly

$27,600 Annually

Lifetime Annuity Example*
As assumed in the chart on the first page, the lump sum ARP accumulation of $429,000 could produce $2,300 of monthly income or $27,600 annually for the employee's lifetime.

*This is a hypothetical income illustration

Both of the investment providers, TIAA and Fidelity, offer their own set of investment products and services. Help is also provided by TIAA and Fidelity free of charge. You can meet with an investment advisor on campus, over the phone, or via the web to determine which investments best suit your needs, including easy lifecycle options, which adjust automatically based on your expected date of retirement. View the ARP vendors and investments available at www.passhe.edu/retirement.

ARP Vendors and Investments

State Employees' Retirement Plan (SERS)

Under the SERS umbrella, there are three different plan options. These plans were significantly changed January 1, 2019. If you select SERS as your group retirement plan, you are automatically enrolled in the Class A5 hybrid plan. After enrollment, you will be contacted by SERS and given 45 days to make a one-time election to switch to Class A6 or the Straight Defined Contribution/Investment Plan.

If you are enrolled in Class A5 or A6 hybrid plans, your retirement benefit comes from two plans:

- **Pension plan** that features guaranteed monthly payments and;
- **Investment plan** where the amount of money is based on contributions by you and your employer, along with personal investment choices and the markets.

Class A5 Hybrid Plan – Requires an employee contribution of 8.25% of your pay, which is split between the two plans:

Under the pension plan, your benefit is generally guaranteed to grow by 1.25% of your pay for each year you work.

The State System's contribution to the pension plan is calculated each year based on the assets and liabilities of the SERS pension fund. Under the investment plan the employer contribution is 2.25% of your pay.

Employee Pension 5% + Employee Investment 3.25%

Retirement Plan Summaries

Class A6 Hybrid Plan - Requires an employee contribution of 7.50% of your pay, which is split between the two plans:

Under the pension plan, your benefit is generally guaranteed to grow by 1% of your pay for each year you work.

The State System's contribution to the pension plan is calculated each year based on the assets and liabilities of the SERS pension fund. Under the investment plan the employer contribution is 2% of your pay.

Employee Pension 4% + Employee Investment 3.5%

Straight Defined Contribution/Investment Plan - The entire 7.5% employee contribution goes to your defined contribution investment account and the State System contributes an amount equal to 3.5% of your pay each pay period. Your retirement benefit would be determined by the amount of money you earn from your personal investment choices and the markets.

Employee 7.5% + Employer 3.5%

Full Vesting Schedule

The SERS plan options reward long term service but there is an important factor to consider. Participants do not become vested for the employer contributions until they have worked 10 years for the pension plan and 3 years for the investment plan. That means if you're no longer employed by the State System before becoming fully vested, you only have a right to a return of your contributions and interest and you do not have a right to monthly pension payments or any of the employer contributions. View more information at www.sers.pa.gov

SERS Plan Highlights

Voluntary Retirement Plan Options

Professionals generally recommend contributing approximately 15% of your pre-tax income towards your retirement. If you wish to contribute more than the fixed employee percentage set by the retirement code, the State System has options available for all employees. You can voluntarily contribute additional monies towards retirement via the Deferred Compensation and/or Tax-Sheltered Annuity plan. View more information at www.passhe.edu/enrolltsa.

How to Enroll

- Selection of a retirement plan is part of your initial online benefits enrollment through Employee Self-Service (ESS). https://portal.passhe.edu/irj/portal
- If you do not have access to ESS, a paper enrollment form can be submitted to your Human Resources office. www.passhe.edu/retirement

**Public School Employees' Retirement System (PSERS) - If you are a current member of the Public School Employees' Retirement System (PSERS), you may elect to continue your enrollment with PSERS. Contact your Human Resources department for information.*

Retirement Plan Comparison

	ARP	SERS Class A5	SERS Class A6	SERS Straight DC
Your retirement benefit is based on…	Your investment choices and the investment markets	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
Your Contribution (percent of pay)	5%	8.25% (split between 5% - pension/3.25% - investment)	7.5% (split between 4% - pension/3.5% - investment)	7.5%
Annual Benefit Accrual Rate (how your pension grows)	N/A	1.25% of pay for each year worked	1% of pay for each year worked	N/A
Employer Contribution	9.29%	Calculated annually - pension 2.25% - investment	Calculated annually – pension 2% - investment	3.5%
Vesting Period (when you qualify for a benefit)	Immediate	10 years - pension 3 years - investment	10 years - pension 3 years - investment	3 years
Final Average Salary	N/A	Highest 5 calendar years	Highest 5 calendar years	N/A
Retirement Age (when you can retire without an early retirement reduction)	N/A	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
When you retire, your payment options include…	A lump sum payment, a rollover to another qualified plan, partial distribution though payments at participant's choice or ability to purchase fixed or variable annuity options that can provide guaranteed lifetime income.	**Pension portion**: a lump sum withdrawal of your contributions and interest and guaranteed monthly payments that include options with varying death benefits **Investment portion**: a lump sum payment, a rollover to another qualified plan, partial distribution through installment payments at participant's choice.	**Pension portion**: a lump sum withdrawal of your contributions and interest and guaranteed monthly payments that include options with varying death benefits **Investment portion**: a lump sum payment, a rollover to another qualified plan, partial distribution through installment payments at participant's choice.	A lump sum payment, a rollover to another qualified plan, partial distribution through installment payments at participant's choice.
Can you purchase prior state or military service?	N/A	Yes, toward the pension portion of your benefit.	Yes, toward the pension portion of your benefit.	N/A
Participant Loans	Yes	No	No	No