

Winter 2012

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From the Desk of the Executive Director

A Message from PSERS Executive Director, Mr. Jeffrey B. Clay...

Behind the Scenes with PSERS' Office of Financial Management

PSERS continues its series of "Behind the Scenes at PSERS" articles with a tour of the Office of Financial Management (OFM). The OFM is directed by PSERS' Chief Financial Officer (CFO), who has responsibility for planning, organizing and directing a complete accounting and financial reporting system in conformance with accounting principles generally accepted in the United States of America. The CFO also oversees cash movement of short-term funds and the asset distribution of the investments for PSERS' two Health-care plans.

The OFM plays a vital role in the operations of PSERS and manages financial and budgetary matters throughout PSERS' various bureaus and offices. Each year OFM oversees the production of the actuarial valuation report by PSERS' actuary and the Board's annual certification of the employer contribution rate. The annual valuation report gives a detailed accounting of PSERS funded status. A copy of PSERS' most recent actuarial valuation can be found on the PSERS website, www.psers.state.pa.us, under Publications.

The OFM is organized into three divisions: General Accounting Division, Annuitant Accounting Division, and Investment Accounting and Budget Division.

General Accounting Division

The General Accounting Division has the responsibility of recording all financial transactions for the pension and health care

operations of the System. This division maintains the PSERS General Ledger and prepares interim and annual financial statements, including the *PSERS Comprehensive Annual Financial Report (CAFR)*. A copy of PSERS' most recent CAFR can be found online.



Mr. Clay

(continued on page 2)

The Public School Employees' Retirement System (PSERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances, and is not a complete statement of the law or administrative rules. The statements in this document are not binding. In any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail. This document is designed solely to provide an overview of benefits available to PSERS members and is not intended to be a substitute for retirement counseling. The contents of this newsletter may not be used for any commercial purpose without PSERS' prior written permission..

The division also bills and collects member and employer contributions. Next fiscal year, member contributions are estimated at over \$1.8 billion and employer contributions are estimated at over \$1.2 billion. In addition, the division deposited over \$533 million in federal withholding taxes to the Internal Revenue Service on behalf of PSERS members during 2011.

Annuitant Accounting Division

The Annuitant Accounting Division is responsible for the mission-critical annuitant payroll and disbursement function. Currently, PSERS pays out over \$394 million each month to over 193,000 retired members and will issue over 226,000 *Form 1099-Rs* (tax documents). Over 91 percent of the monthly annuitant payroll is distributed via direct deposit (EFT). During 2011, the division processed over 6,100 EFT changes and updates, as well as over 8,600 W-4Ps for our members.

Electronic transfer is one option PSERS members have to receive their monthly benefit payment. There are many advantages in doing this. Electronic transfers offer reliability, safety and security, as well as being environmentally friendly. Electronic transfers eliminate the possibility of delayed, stolen, or destroyed checks. For more information on how to sign up for direct deposit, contact the PSERS Member Service Center at 1-888-773-7748.

The Annuitant Accounting Division also has the responsibility of monitoring and recording the transactions of PSERS' two post-employment healthcare plans and the financial activities of the third party administrator of the Health Options Program.

Investment Accounting and Budget Division

The Investment Accounting and Budget Division serves as intermediary with the custodian bank, the State Treasury Department, brokers, investment managers, the investment evaluator, and investment consultants. In 2011, the division processed over 330,000 investment transactions and approved and audited over \$10 billion of investment allocations to investment managers. The division is also responsible for directing and administering the Class Action Revenue Recovery, the Foreign Cash Overdraft and the Foreign Tax Reclaim Collection programs as part of PSERS' investment activities and as a result oversees international investment taxation matters. It also supports the PSERS Investment Office and the Board in achieving investment objectives and monitoring compliance with investment policy.

Additionally, the division is responsible for accounts payable operations and for developing and monitoring the System's annual budget, currently \$44 million, and creating the budget report for the Legislative Appropriation Committees. The division is comprised of the Public Market Reporting and Analysis, Private Market Reporting and Analysis, and Treasury and Manager Administration sections and the Budget Office.

In my next newsletter column, I will continue the tour of PSERS operations through another "Behind the Scenes at PSERS" article. These articles will continue to focus on areas of PSERS operations that are not as well known or recognized by PSERS members, but who continue to work diligently on your behalf behind the scenes at PSERS.

Maximum Earnings Subject to Contributions for 2012

The Internal Revenue Service's (IRS) Internal Revenue Code Section 401(a)(17) limits the amount of compensation that is subject to retirement contributions for active employees entering PSERS membership on or after July 1, 1996. For employees who became PSERS members before July 1, 1996, there is no maximum earning level.

The calendar year reportable compensation limit for 2012 is \$245,000. This amount is unchanged from the 2011 limit. Employers have been notified of this limit. If you earn \$245,000 or more during the 2012 calendar year and believe your employer is not withholding the correct amount of PSERS member contributions, please contact your employer.

Criminal Activity & Forfeiting a PSERS Benefit

PSERS
5 N. 5th Street
Harrisburg PA 17101-1905

Toll-Free 1-888-773-7748
Local Calls 717-787-8540

Phone Hours
Weekdays
(except holidays):
7:30 a.m. - 5:00 p.m.

Website Address:
www.psers.state.pa.us
Email Address:
ContactPSERS@pa.gov

PSERS is proud to be an equal
opportunity employer supporting
workforce diversity.

PSERS Board of Trustee Meeting Schedule

March 9, 2012
April 27, 2012
June 22, 2012
August 9, 2012
October 5, 2012
December 7, 2012

PSERS Board meetings are held in Harrisburg at PSERS, located at 5 N. 5th Street. In addition to these Board meetings, Committee meetings are held throughout the year. All PSERS Board meetings are open to the public.

For exact meeting times or if you would like to attend and require an accommodation to participate, please call Barbara Book, PSERS Executive Office at 1-888-773-7748, extension 4617.

The right of a person to receive retirement benefits from PSERS is subject to forfeiture as provided by the Public Employee Pension Forfeiture Act ("Pension Forfeiture Act"). The Pension Forfeiture Act states that all service and benefits payable to a PSERS member must be forfeited if the member is convicted of, pleads guilty or no defense to any of the crimes listed under the Pension Forfeiture Act when the crime is committed through the member's position as a public employee or when the member's public employment places the member in a position to commit the crime(s).

The Pennsylvania crimes listed under the Pension Forfeiture Act are:

- ◆ theft by deception
- ◆ theft by extortion
- ◆ theft of services
- ◆ theft by failure to make required disposition of funds received
- ◆ forgery
- ◆ tampering with records or identification
- ◆ misapplication of entrusted property and property of government or financial institutions
- ◆ bribery in official and political matters
- ◆ threats and other improper influence in official and political matters
- ◆ perjury
- ◆ false swearing
- ◆ unsworn falsification to authorities
- ◆ false reports to law enforcement authorities
- ◆ witness or informant taking bribe
- ◆ tampering with or fabricating physical evidence
- ◆ tampering with public records or information
- ◆ intimidation of witnesses or victims
- ◆ retaliation against witness, victim or party
- ◆ obstructing administration of law or other governmental function
- ◆ official oppression, speculating or wagering on official action or information
- ◆ the following crimes when committed by a school employee against a student: rape, statutory sexual assault, involuntary deviate sexual intercourse, sexual assault, aggravated indecent assault, indecent assault, and indecent exposure

The Pension Forfeiture Act also includes all Federal criminal offenses that are substantially the same as the above listed crimes.

The Pension Forfeiture Act requires that a member's contributions and interest be used to pay any court ordered restitution, provided the monies have not been withdrawn by the member. If there is no restitution payable, the PSERS member is only eligible to receive a return of contributions without interest.

This article is intended to give a general overview of the Pension Forfeiture Act. To the extent there is a conflict between what is stated here and the Pension Forfeiture Act, the terms of the Pension Forfeiture Act, the Retirement Code, and PSERS' administrative interpretations and court decisions will govern the payment of benefits, and not any conflicting statements made in this article.

Foundations for Your Future (FFYF)

As a part of its educational outreach, PSERS provides *Foundations for Your Future* seminars for active and vested members. PSERS regional representatives present these seminars throughout the school year to provide all active members with general information about PSERS benefits and services. Attendance at a *Foundations for Your Future* seminar will help you begin to plan for your retirement early in your career. During these programs, PSERS examines topics such as: benefit options, withdrawal of contributions, rollovers, taxes, and legislative actions affecting PSERS.

Listed below are seminars scheduled from March 2012 through April 2012 (not inclusive, more dates may be added in some areas). Seminars before and after this time frame are listed on the PSERS website at www.psers.state.pa.us.

If you need directions to any of the locations, please contact your regional office, the PSERS Member Service Center at 1-888-773-7748, or access the PSERS website. If there is a demand for additional seminars during the year, PSERS may add seminars and post them to the PSERS website. PSERS public school employers in the area will receive seminar notices as well.

Please Note: Advance registration is not required to attend any of these seminars. If you require an accommodation to participate, please contact your PSERS regional office.

As this printed schedule is subject to change due to weather or other unforeseen conditions, we highly suggest that before leaving for a meeting, you verify the dates and times listed through the schedule posted on the PSERS website.

If a school location experiences an emergency/weather closing, the meeting will be canceled.

Southwest Region, Toll-Free 1-888-773-7748, extension 5775 Counties Served: Allegheny, Fayette, Greene, & Washington				
County	City	Location & Address	Date	Time
Allegheny	Homestead	Allegheny I.U., McGuffey & Sullivan Rms., 475 E. Waterfront Dr.	March 13, 2012	4:30 p.m.
			April 11, 2012	4:30 p.m.
Allegheny	Pittsburgh	Community College of Allegheny County, North Campus, 3rd Floor Conference Room (Room 3002), 8701 Perry Hwy.	March 15, 2012	4:30 p.m.
Washington	Charleroi	Mon Valley Career and Technology Center, Classrooms 1 and 2, 1 Guttman Blvd.	March 22, 2012	4:30 p.m.
Washington	Washington	Trinity Middle School, Auditorium, 50 Scenic Dr.	March 7, 2012	4:30 p.m.
Southeast Region, Toll-Free 1-888-773-7748, extension 5575 Counties Served: Bucks, Delaware, Montgomery, & Philadelphia				
County	City	Location & Address	Date	Time
Bucks	Bensalem	Bensalem High School, North Wing Audion, 4319 Hulmeville Rd.	March 5, 2012	4:30 p.m.
Bucks	Quakertown	Quakertown Area High School, 600 Park Ave.	March 15, 2012	4:30 p.m.
Delaware	Morton	Delaware County I.U., Education Service Center, Rooms 171 & 172, 200 Yale Ave.	March 7, 2012	4:30 p.m.
			April 10, 2012	4:30 p.m.
Montgomery	Kulpsville	Holiday Inn Lansdale (Inn at Towamencin), 1750 Sumneytown Pk.	March 13, 2012	4:30 p.m.
Montgomery	Pottstown	Pottstown Senior High, N. Washington St.	March 27, 2012	4:30 p.m.
Philadelphia	Philadelphia	Ramada Philadelphia Northeast, 11580 Roosevelt Blvd.	March 22, 2012	4:30 p.m.
Philadelphia	Philadelphia	Philadelphia School District Education Center, Auditorium, 440 N. Broad St.	March 12, 2012	4:30 p.m.
			April 11, 2012	4:30 p.m.

Foundations for Your Future (continued)

Southcentral Region, Toll-Free 1-888-773-7748, extension 5675

Counties Served: Adams, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, & York

County	City	Location & Address	Date	Time
Adams	New Oxford	Lincoln I.U., 65 Billerbeck St.	March 13, 2012	4:30 p.m.
Cumberland	Summerdale	Central Penn Conference Center, College Hill & Valley Rd.	March 12, 2012	4:30 p.m.
Dauphin	Harrisburg	PA State Farm Show Building, 2nd Floor, Meeting Room B, Maclay St. Lobby Entrance, 2300 N. Cameron St., at Maclay St.	March 27, 2012	4:30 p.m.
Franklin	Chambersburg	Chambersburg Area Middle School, Auditorium, 1151 E. McKinley St.	April 2, 2012	4:30 p.m.
Lancaster	Lancaster	Lancaster-Lebanon I.U., 1020 New Holland Ave.	March 26, 2012	4:30 p.m.
York	York	York Suburban High School, Auditorium, 1800 Hollywood Dr.	April 5, 2012	4:30 p.m.

Northwest Region, Toll-Free 1-888-773-7748, extension 5175

Counties Served: Beaver, Butler, Clarion, Clearfield (DuBois Area School District only), Crawford, Erie, Forest, Jefferson, Lawrence, Mercer, Venango, & Warren

County	City	Location & Address	Date	Time
Beaver	Monaca	Community College of Beaver County, Health Science Building, Auditorium, 1 Campus Dr.	March 6, 2012	4:30 p.m.
Butler	Butler	Butler Area SD Intermediate School 551 Fairground Hill Rd.	March 27, 2012	4:30 p.m.
Clearfield	Dubois	Dubois Area Middle School, Auditorium 404 Liberty Blvd.	March 15, 2012	4:30 p.m.
Erie	Edinboro	Northwest Tri-County I.U., 252 Waterford St.	March 8, 2012	4:30 p.m.
Lawrence	New Castle	Lawrence County Career Tech Center, 750 Phelps Way	April 3, 2012	4:30 p.m.
Mercer	Mercer	Mercer Jr./Sr. High School, Auditorium or LGI Room, West Butler St.	March 29, 2012	4:30 p.m.
Venango	Franklin	Rocky Grove Jr./Sr. High School Auditorium, 403 Rocky Grove Ave.	March 13, 2012	4:30 p.m.
Warren	Warren	Warren Area High School, Auditorium 345 E. 5th Ave.	March 1, 2012	4:30 p.m.

Northcentral Region, Toll-Free 1-888-773-7748, extension 5275

Counties Served: Bradford, Cameron, Centre, Clearfield (all districts except DuBois Area), Clinton, Columbia, Elk, Lycoming, McKean, Montour, Northumberland, Potter, Schuylkill, Snyder, Sullivan, Tioga, & Union

County	City	Location & Address	Date	Time
Bradford	Towanda	Towanda Area High School, Auditorium, 1 High School Dr.	April 17, 2012	4:30 p.m.
Centre	State College	State College Area High School South, Auditorium, 650 Westerly Pkwy.	March 8, 2012	4:30 p.m.
Clearfield	Clearfield	Clearfield Area High School, Auditorium, Old Route 879	March 22, 2012	4:30 p.m.
Elk	Kersey	Red Fern Banquet and Conference Center, 421 Old Kersey Rd.	April 24, 2012	4:30 p.m.

Foundations for Your Future (continued)

Northcentral Region, Toll-Free 1-888-773-7748, extension 5275				
County	City	Location & Address	Date	Time
McKean	Smethport	Smethport Area Jr./Sr. High School, Auditorium, 412 S. Mechanic St.	March 27, 2012	4:30 p.m.
Northumberland	Montandon	Central Susquehanna I.U., Main Building, Lawton Ln.	April 4, 2012	4:30 p.m.
Schuylkill	Mar Lin	Schuylkill I.U., Schuylkill Technology Centers, South Campus, 15 Maple Ave., Pottsville-Minersville Hwy.	March 29, 2012	4:30 p.m.
Union	New Berlin	SUN Area Career & Technology Center, Large Group Instructional Room, 21st Century Dr.	March 15, 2012	4:30 p.m.

Northeast Region, Toll-Free 1-888-773-7748, extension 5375				
Counties Served: Lackawanna, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, & Wyoming				
County	City	Location & Address	Date	Time
Lackawanna	Archbald	Valley View Jr./Sr. High School, Auditorium, 1 Columbus Dr.	April 3, 2012	4:30 p.m.
Luzerne	Nanticoke	Luzerne County Community College, Educational Conference Center, Auditorium 132, 1333 S. Prospect St.	March 8, 2012	4:30 p.m.
Monroe	Bartonsville	Howard Johnson, Banquet Room, 63 Route 611	April 11, 2012	4:30 p.m.
Northampton	Easton	The Eastonian Banquet and Convention Center at the Holiday Inn Express, 90 Kunkle Dr.	March 12, 2012	4:30 p.m.
Susquehanna	Montrose	American Legion Gardner-Warner Post 154, RR 4, Elk Lake Rd.	April 9, 2012	4:30 p.m.

Centraleast Region, Toll-Free 1-888-773-7748, extension 5475				
Counties Served: Berks, Carbon, Chester, & Lehigh				
County	City	Location & Address	Date	Time
Berks	Hamburg	Hamburg Area High School, LGI Room, (Exit 2), 701 Windsor St.	March 29, 2012	4:30 p.m.
Berks	Reading	Reading-Muhlenberg Career & Technology Center, Warren Rd.	March 1, 2012	4:30 p.m.
Carbon	Jim Thorpe	Jim Thorpe Area High School, 1 Olympian Way	March 8, 2012	4:30 p.m.

Centralwest Region, Toll-Free 1-888-773-7748, extension 5875				
Counties Served: Armstrong, Bedford, Blair, Cambria, Indiana, Somerset, & Westmoreland				
County	City	Location & Address	Date	Time
Armstrong	Ford City	Lenape Heights Country Club, 950 Golf Course Rd.	March 8, 2012	4:30 p.m.
Bedford	Bedford	Best Western Bedford Inn, 4517 U.S. 220 Business	March 12, 2012	4:30 p.m.
Blair	Altoona	Ramada Inn-Altoona, I-99, exit 31 (Plank Road)	March 15, 2012	4:30 p.m.
Somerset	Somerset	Quality Inn, 215 Ramada Rd.	March 13, 2012	4:30 p.m.
Westmoreland	Youngwood	Westmoreland County Community College, Commissioners Hall, 145 Pavilion Ln.	March 7, 2012	4:30 p.m.

Health Options Program (HOP)

PSERS sponsors the Health Options Program (HOP) to provide retirees and their dependents access to group health insurance. Participation in HOP is voluntary and the benefits are financed by the premiums paid by plan participants.

If you are a PSERS retiree, survivor annuitant, spouse or surviving spouse of a PSERS retiree or survivor annuitant, dependent child of a PSERS retiree or survivor annuitant, you may enroll in HOP within 180 days of a qualifying event. Examples of a qualifying event include:

- ◆ You retire or lose health care coverage under your school employer's health plan, including any COBRA continuation coverage you may elect under that school employer's plan.
- ◆ You involuntarily lose health care coverage under a non-school employer's health plan (including any COBRA continuation coverage you may elect under a non-school employer's health plan).
- ◆ You or your spouse reach age 65 or become eligible for Medicare.
- ◆ You experience a change in your family status (including divorce, your death or death of a spouse, addition of a dependent through birth, adoption, or marriage, or a dependent loses eligibility).
- ◆ You become eligible for premium assistance due to a change in legislation.
- ◆ You move out of a plan's service area or terminate a plan approved for premium assistance.

Qualifying events apply to you, your spouse, and your dependents independently. If one member of your family has a qualifying event, all members may enroll in HOP or change their option if already enrolled. For example, if your spouse turns age 65 and becomes eligible for Medicare, that's a qualifying event for all eligible family members.

For more information about HOP or for customer service assistance, retirees should contact HOP directly at 1-800-773-7725 or visit the HOP website at www.hopbenefits.com.

Employer Contribution Rate for Fiscal Year 2012-2013

The employer contribution rate for fiscal year 2012-2013 will be 12.36%. The rate applies to salary and wages earned from July 1, 2012, through June 30, 2013. This rate was determined by PSERS' actuary and was certified by the PSERS Board of Trustees at its meeting on December 9, 2011.

This employer contribution rate consists of 11.5% for pension costs and 0.86% for premium assistance payments. Previous projections by PSERS' actuary for the employer contribution rate for fiscal year 2012-2013 had been 12.19%. The projection for the employer contribution rate for fiscal year 2012-2013, prior to the rate caps being established with Act 2010 – 120, was 29.65%.

Southcentral Regional Office Moving

The PSERS Southcentral regional office is scheduled to move on March 23, 2012, the office is moving from Mechanicsburg, PA, to the PSERS headquarters building at 5 N. 5th Street in Harrisburg, PA.

In case this date should be changed for any unforeseeable reason, you may want to verify the office location through our website, www.psers.state.pa.us, under the Regional Offices button on the left-hand side of the web page, or contact the office at its toll-free phone number, 1-888-773-7748, extension 5675.

The Southcentral office serves PSERS members who currently work or worked for employers in Adams, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, and York Counties.

Look for updated local phone number contact information for the Southcentral office in future newsletters.

Public School Employees' Retirement System as of June 30, 2011

A summary of the state of PSERS funding as of June 30, 2011, is listed below and on the following three pages. More detailed information is available in the publication, *Comprehensive Annual Financial Report as of June 30, 2011*, which can be viewed on the PSERS website at www.psers.state.pa.us through the Publications page.

Net Assets Held in Trust

PSERS is the 16th largest state-sponsored public defined benefit pension fund in the nation and the 27th largest among public and corporate pension funds in the nation. The fund's net assets increased nearly \$5.6 billion since June 30, 2010. This increase was due to net investment income plus member and employer contributions exceeding the deductions for benefits and administrative expenses.

	Fair Value (in Billions)
Total Assets of the Fund (receivables, investments, fixed assets, etc.)	\$ 53.8
Total Liabilities of the Fund (payables, obligations under securities lending, etc.)	<u>2.4</u>
Total Plan Net Assets Held in Trust	\$ 51.4

Investments

As of June 30, 2011, total investments, which comprise the majority of PSERS' overall net assets held in trust, by asset class were as follows:

	Fair Value (in Billions)
Short-term investments	\$ 5.9
Fixed income investments	12.6
Common and preferred stock investments	15.4
Real estate investments	5.3
Alternative investments	<u>12.6</u>
Total investments as of June 30, 2011	51.8
Net other assets and liabilities	<u>(.4)</u>
Total Plan Net Assets Held in Trust	\$ 51.4

Contributions

During the 2010-2011 school year, the employer contribution rate was 5.64% of the employer's payroll. For the 2011-2012 school year, the rate increased to 8.65%. Both the employer and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups: school entities and non-school entities. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer 50% of the payment for employees hired on or before June 30, 1994. For employees hired after June 30, 1994, based on a statutory formula, school entities are reimbursed by the Commonwealth a minimum of 50% of the payment. Non-school entities and the Commonwealth each contributed one-half of the total employer rate (2.82%) for school year 2010-2011.

Employee & Employer Rate History

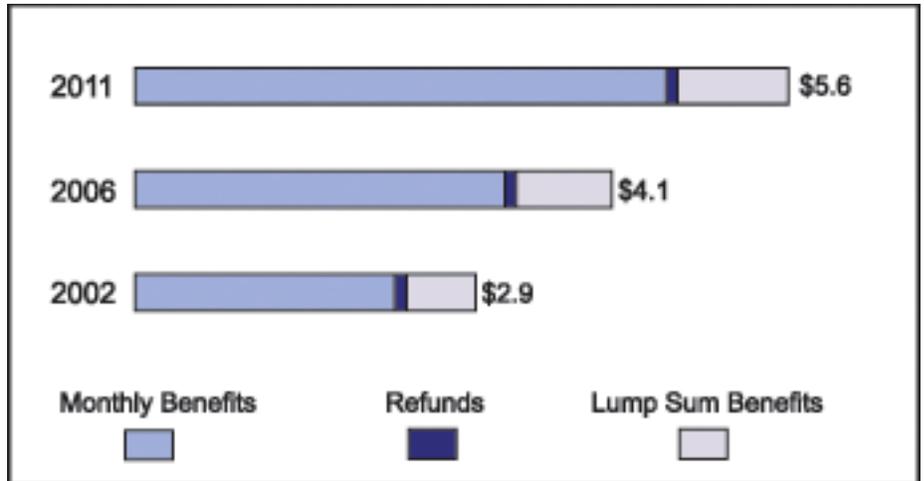
Fiscal Year Ended June 30	Employee Contribution Rate*	Employer Contribution Rate	Cumulative Yearly Salaries Paid to School Employees
2011	6.50%/7.50% or 5.25%/6.25%	5.64%	\$13.3 Billion
2010	6.50%/7.50% or 5.25%/6.25%	4.78%	\$12.9 Billion
2009	6.50%/7.50% or 5.25%/6.25%	4.76%	\$12.4 Billion
2008	6.50%/7.50% or 5.25%/6.25%	7.13%	\$11.9 Billion
2007	6.50%/7.50% or 5.25%/6.25%	6.46%	\$11.7 Billion
2006	6.50%/7.50% or 5.25%/6.25%	4.69%	\$11.4 Billion
2005	6.50%/7.50% or 5.25%/6.25%	4.23%	\$10.8 Billion
2004	6.50%/7.50% or 5.25%/6.25%	3.77%	\$10.5 Billion

* Rate is dependent on membership class, which is based on an employee's date of membership eligibility.

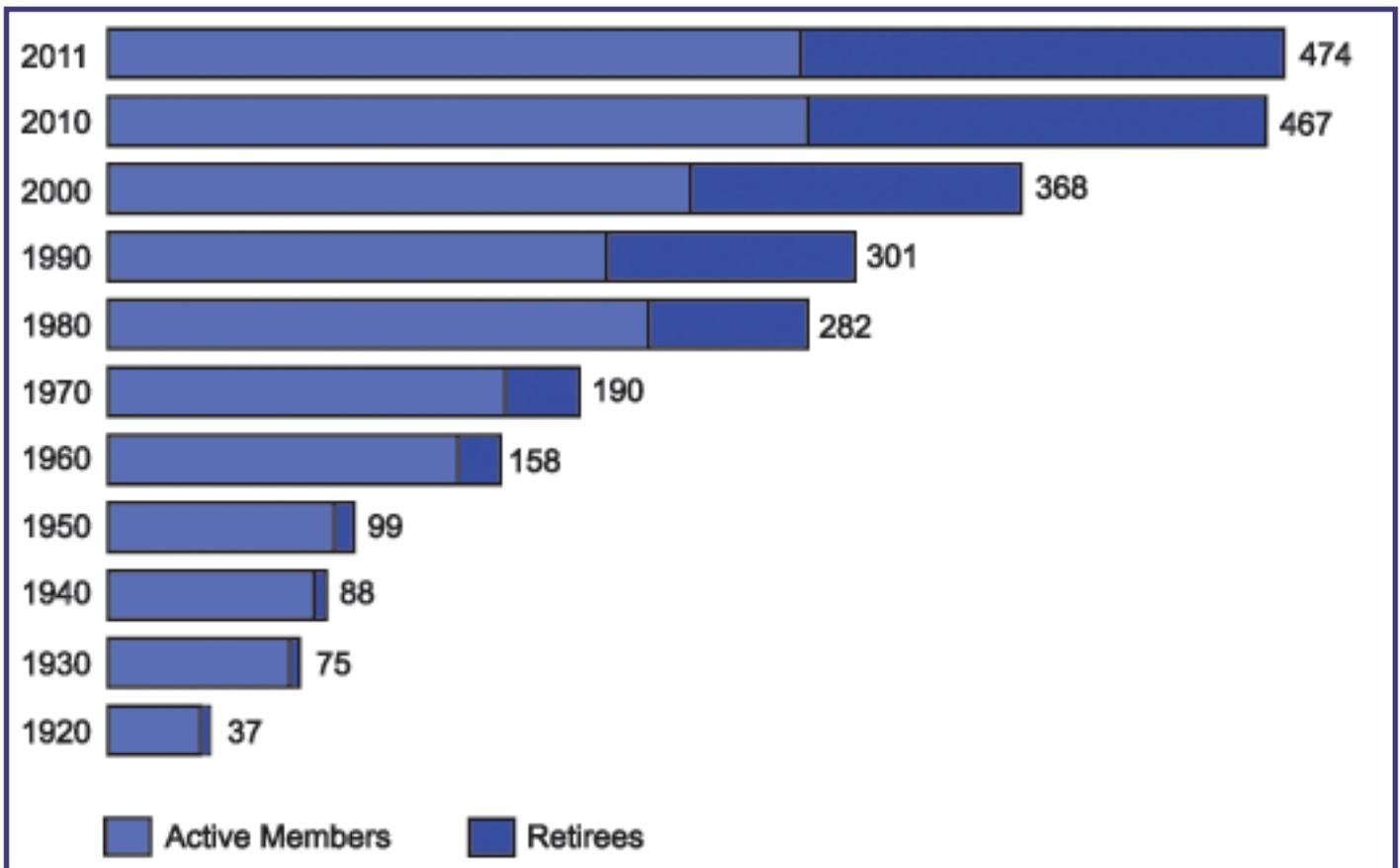
Benefit Payments (Amounts in Billions)

Highlights on Payment of Benefits:

1. PSERS paid \$5.6 billion in total benefit payments (including benefits, lump-sum and installment payments, refunds, and net transfers to SERS) for the fiscal year ended June 30, 2011.
2. PSERS' current monthly retirement payroll exceeds \$394 million.



Total Membership - Active & Retired (in Thousands)

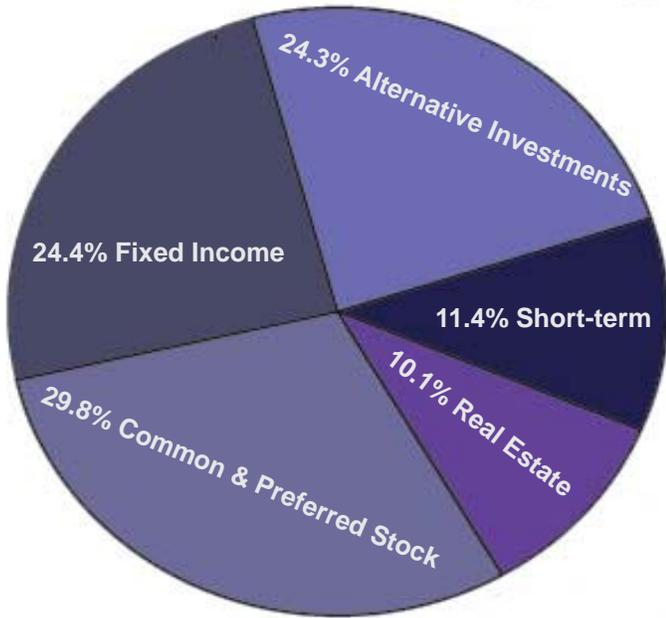


Highlights on Membership Statistics:

This bar chart is based upon actuarial valuation statistics through June 30, 2011. PSERS' newest member population totals show the number of retired members and survivors/beneficiaries now to be approximately 195,000 and the active contributing membership to be approximately 279,000.

From 2002 to 2011, the retired membership has increased by approximately 37.6% and the active membership has increased by approximately 15.1%.

Investment Portfolio Distribution at June 30, 2011 (Fair Value)



Highlights on Investments:

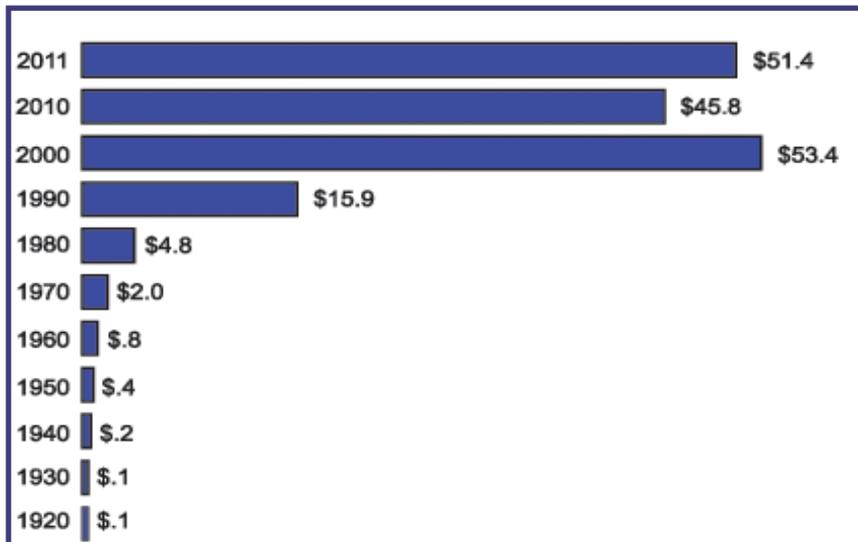
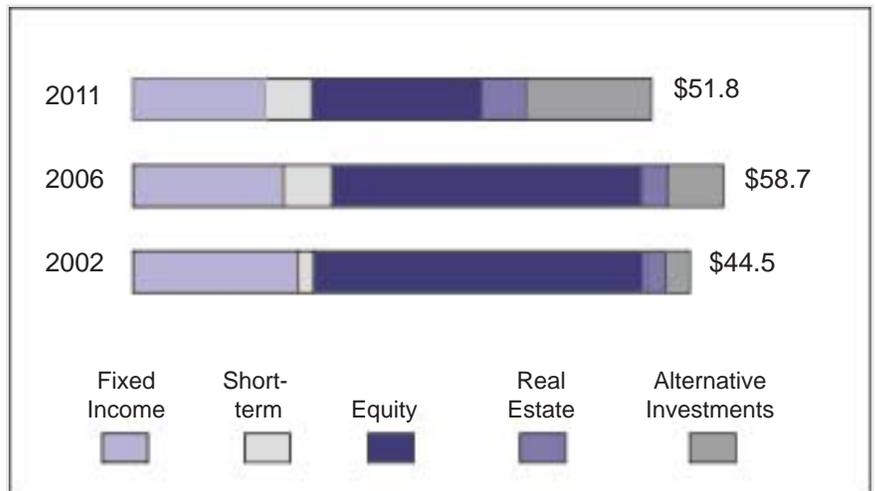
The five largest individual domestic common and preferred stocks in PSERS' domestic portfolios (in millions) as of June 30, 2011 were:

	Fair Value (\$)
Security Capital Preferred Growth	177.6
Exxon Mobil Corporation	127.7
Apple Computer, Inc.	100.6
Chevron Corporation	67.1
IBM	65.1

Investment Portfolio Distribution - 10-Year Trend (Fair Value - Amounts in Billions)

Highlights on Investments:

1. In 2002, PSERS' investments at fair value were \$44.5 billion compared to 2011's \$51.8 billion.
2. PSERS' fixed income investments were 24% and 29% of the fair value of PSERS' total investments in 2011 and 2002.
3. PSERS' investments from 2002 to 2011 have shown a reallocation from common and preferred stock to real estate and alternative investments.



Net Assets Available for Benefits (Amounts in Billions)

PSERS is the 16th largest state-sponsored public defined benefit pension fund in the nation and the 27th largest among public and corporate pension funds in the nation.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Years 2011, 2006, and 2002 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2011	\$ 85.8	\$ 59.3	\$ (26.5)	69.1%
2006	\$ 64.7	\$ 52.6	\$ (12.1)	81.2%
2002	\$ 51.7	\$ 54.3	\$ 2.6	104.8%

* Accrued Liabilities - Generally PSERS' benefit obligations to current retirees and future benefits to be paid to active members who eventually retire.

** Unfunded Accrued Liability - Shows the portion of the accrued liabilities not covered by assets available to PSERS at the end of the valuation year.

*** Funded Ratio - Measurement used to show PSERS' progress toward funding pension obligations.

Condensed Statement of Plan Net Assets as of June 30, 2011

Assets:	(In Millions)
Receivables:	
Contributions due from members and employers	\$ 531
Investment receivables and other miscellaneous	643
Total Receivables	<u>1,174</u>
Investments (at fair value)	51,829
Securities lending collateral pool	762
Capital assets	21
Total Assets	<u>53,786</u>
Liabilities:	
Benefits and other accounts payable	803
Investment purchases and other liabilities	788
Obligations under securities lending	762
Total Liabilities	<u>2,353</u>
Net Assets - held in trust for pension and post-employment healthcare benefits	<u>\$ 51,433</u>

Condensed Statement of Changes in Plan Net Assets for Year Ended June 30, 2011

	(In Millions)	
Net Assets - held in trust for pension and postemployment healthcare benefits at beginning of year, July 1, 2010	\$ 45,838	A
Additions during the year:		
Contributions from members and employers	2,023	
Net investment income	9,247	
Total Additions	<u>11,270</u>	B
Deductions during year:		
Benefits and refunds paid to members	5,617	
Administrative expenses	58	
Total Deductions	<u>5,675</u>	C
Change in Net Assets held in trust for pension and postemployment healthcare benefits (B - C)	<u>5,595</u>	D
Net Assets - held in trust for pension and post-employment healthcare benefits at end of year, June 30, 2011 (A + D)	<u>\$ 51,433</u>	

Detailed information regarding the financial statements is available in the PSERS' *Comprehensive Annual Financial Report* (CAFR). The CAFR financial statements are presented in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The CAFR is available on the PSERS website, www.pfers.state.pa.us through the Publications page, or call 1-888-773-7748 for a copy.

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