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Take Our Call Center Survey

In an effort to continually evaluate and improve, PSERS is asking for your help. As you may know, PSERS maintains a call center to answer questions. For the next few weeks, we will be conducting an online survey to learn about your experiences with this service and how it can be improved to meet your needs. To complete the survey, go to the home page of the PSERS website (www.psers.state.pa.us) and click on the box "Take Our PSERS Call Center Survey."

The survey is intended for all members—and we invite you to participate even if you have never called the call center. The survey will be brief (it should take no more than about 10 minutes), and, if you want to provide additional comments, you will have the opportunity to do so. We encourage you to be candid. It will not be necessary to include your name or identifying information.

To ensure that we hear from members who have current experience with the call center, we will also be conducting an optional telephone survey for those who call in February. If you call then, you will have the opportunity to participate in an automated phone survey by staying on the line for a few minutes at the end of your call.

Whether you complete the survey on our website, by telephone, or both, your feedback will help PSERS provide better service. Please take the time to respond. We thank you for participating.

Form 1099-R

If you received a disbursement of funds from PSERS, the IRS *Form 1099-R* is used when preparing your annual federal income tax return. The *Form 1099-R* shows the amount of money you received from PSERS during the previous calendar year. All 1099-Rs will be mailed by January 30 and should be received by early February. If you do not receive your *Form 1099-R* by February 10, 2016, contact PSERS to request a duplicate copy. Beginning February 3rd, you may access and print a copy of your *Form 1099-R* online if you have an Interaction account.

Interaction is PSERS' secure online web application. You can sign up to use Interaction at any time. Go to the PSERS website and click on the "Online Applications" button. Once you establish your online account, your username and password information will be mailed separately to your home address.

Any changes to your monthly check as a result of Federal Withholding Tax table revisions will appear at the top of your *2015 Guide to your PSERS-Issued Form 1099-R* (PSRS-293) that is included with your 1099-R. The 1099-R insert will provide you with your December 2015 and January 2016 net monthly check amounts.

(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.

PSERS Board of Trustees Meeting

March 11, 2016

PSERS Board meetings are held in Harrisburg at PSERS, located at 5 N 5th Street. All Board meetings are open to the public.

For exact meeting times or if you would like to attend and require accommodation to participate, call Barbara Book, at 1.888.773.7748, extension 4617.

PSERS
5 N 5th Street
Harrisburg PA
17101-1905

Toll-Free
1.888.773.7748
Local Calls
717.787.8540
FAX
717.772.3860

Phone Hours
Weekdays
(except holidays):
8:00 a.m. - 5:00 p.m.

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

PSERS provides visually impaired readers with our publications in large print or on a CD. Please contact us to request these free services.

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

(Form 1099-R...continued from page 1)

All retirement benefit payments from PSERS are exempt from Pennsylvania state and local taxes. If you live in another state, check with your state and local tax authority to see if your Pennsylvania retirement benefit is taxable.

To change your federal withholding amount, submit a *W-4P Federal Tax Withholding Certificate for Annuity Payments* (PSRS-996) form to PSERS. This form is available on the PSERS website under "Forms" or by contacting PSERS. You may also submit an Internal Revenue Service (IRS) *Form W-4P*. For your convenience in calculating appropriate deductions, PSERS provides an online Monthly Federal Tax Withholding Calculator on PSERS website under "Tax Calculator."

Payment Calendar

PSERS pays monthly retirement benefits on the last business day of the month for which they are due. Because PSERS group health insurance premiums are payable in advance, your medical deduction is for the following month. For example, PSERS will pay your January benefit on January 29, but the medical deduction is for February.

2016

Benefit for Month of:	In 2016 Paid on:	Medical Deduction for Month of:
January	January 29	February
February	February 29	March
March	March 31	April
April	April 29	May
May	May 31	June
June	June 30	July
July	July 29	August
August	August 31	September
September	September 30	October
October	October 31	November
November	November 30	December
December	December 30	January 2017

Missing Payments

Payments sent via electronic transfer to your financial institution should be in your account by 9:00 a.m. on the last business day of the month. If your electronic deposit is not in your account by that time, ***you should contact your financial institution to make sure the delay was not within their system.*** If no record of the transfer is found, ask them to verify your account number and the institution's routing number; you should then verify this information against the form(s) you submitted to PSERS.

Payments mailed to your home address may take additional time to reach you. ***Contact PSERS if your check does not arrive by the 10th of the following month*** (e.g., your January check has not arrived by February 10). Waiting until the 10th of the month allows the post office sufficient time to forward your check to you or reroute misdirected mail. You should contact PSERS immediately if you know that your check was stolen or destroyed.

Five Reminders for Your PSERS Pension

We have compiled five pieces of advice to assist retired PSERS members with problems they could frequently encounter. Please take some time to review the following items:

1. Keep your address current with PSERS.

If you change your residence, it is crucial that you notify PSERS. Be sure to sign your notification and include the last four digits of your social security number. You need a valid address with PSERS in order to receive important, time-sensitive information, such as your *Form 1099-R* or notice of a change in your deductions.

If you wish to continue receiving information from PSERS while on an extended stay at another address, you must provide PSERS with your updated address.

If we receive notification from the U.S. Post Office that your mailing address is not valid, your monthly benefit payment, whether by check or direct deposit, will stop until you send PSERS written notification of your new address.

2. Read all correspondence from PSERS.

Reading all correspondence from PSERS allows you to be aware of exactly what is going on with your pension that may impact you. PSERS sends out newsletters and various mailings throughout the year. These publications and documents contain important information about your PSERS retirement benefit. If you have questions about any of the documents, contact PSERS. Copies of the *Retired Member Newsletter* like this one are also available on the PSERS website under "Publications."

3. Take advantage of direct deposit.

PSERS strongly encourages members to take advantage of direct deposit, also known as electronic transfer. This is a secure and convenient option for members to receive their monthly benefit. Unlike a mailed check, PSERS will be able to guarantee that your benefit will be directly deposited into your bank account by the last business day of each month.

4. Know the rules about returning to service.

Several rules apply to PSERS retirees who wish to return to service with a public school employer. The law specifically defines the ability of a PSERS retiree to be employed by a Pennsylvania public school employer, including charter schools, intermediate units, community colleges, Penn State University, and institutions in the State System of Higher Education, in emergency/shortage of personnel and extracurricular activity situation. If you have questions about returning to service and how it may impact your retirement benefit, please refer to the *Return to Service Guidelines and Clarifications* booklet on the PSERS website.

5. No one may request information or make changes to your PSERS account unless you have given them authority under a power of attorney (POA), and PSERS has an approved copy of the POA on file.

We are frequently contacted by people claiming to be a retiree's agent under a POA and seeking information about a retiree's account or attempting to update a retiree's contact information.

If you have a POA naming a friend, financial institution, lawyer, or family member as your agent, you must submit the POA to PSERS for legal review before that person can receive information regarding your account or request changes. If you do not have a POA or wish to name another agent, PSERS has available for your convenience a PSERS *Power of Attorney* (PSRS-248) form that applies to PSERS transactions only.

If you wish to revoke a POA you previously submitted to PSERS, you must submit your revocation in writing, which will be reviewed by our legal department. Submission of a PSERS Power of Attorney form automatically revokes all previous POAs relating to transactions with PSERS.

Public School Employees' Retirement System as of June 30, 2015

A summary of the state of PSERS funding as of June 30, 2015, 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, 2015*, which can be viewed on PSERS' website at www.psers.state.pa.us through the Publications page.

Net Position Held in Trust

PSERS is the 20th largest state-sponsored public defined benefit pension fund in the nation and the 30th largest among public and corporate pension funds in the nation. The fund's net position decreased by \$1.3 billion since June 30, 2014. This decrease was due in large part to deductions for benefits and administrative expenses exceeding net investment income plus member and employer contributions.

	Fair Value (in Billions)
Total Assets of the Fund (receivables, investments, fixed assets, etc.)	\$ 54.1
Total Liabilities of the Fund (payables, obligations under securities lending, etc.)	2.2
Total Plan Net Position Held in Trust	\$ 51.9

Investments

As of June 30, 2015, total investments, which comprise the majority of PSERS' overall net position held in trust, by asset class were as follows:

	Fair Value (in Billions)
Short-term investments	\$ 3.8
Fixed income investments	5.1
Common and preferred stock investments	11.4
Collective trust funds	13.1
Real estate investments	6.4
Alternative investments	10.8
Total investments as of June 30, 2015	\$ 50.6

Contributions

During the 2014-2015 school year, the employer contribution rate was 21.40% of the employer's payroll. For the 2015-2016 school year, the rate increased to 25.84%. 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 (10.20%) for school year 2014-2015.

Employee & Employer Rate History

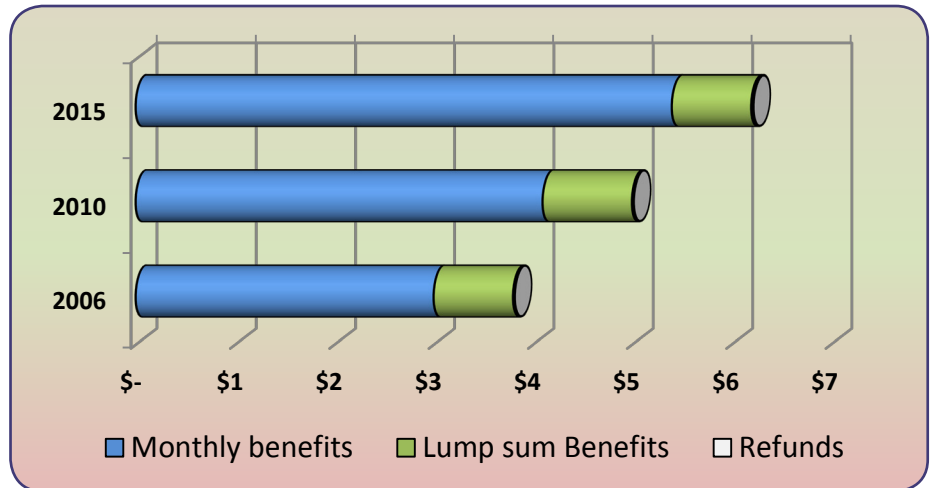
Fiscal Year Ended June 30	Employee Contribution Rate*	Employer Contribution Rate	Cumulative Yearly Salaries Paid to School Employees
2015	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	21.40%	\$12.9 Billion
2014	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	16.93%	\$12.8 Billion
2013	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	12.36%	\$12.8 Billion
2012	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	8.65%	\$12.9 Billion
2011	6.50%/7.50% or 5.25%/6.25%	5.64%	\$13.3 Billion

* Rate is dependent on membership class, which is based on an employee's date of membership eligibility. The "7.5%/10.3%" beginning in 2012 represents membership classes TE and TF, respectively.

Benefit Payments (Amounts in Billions)

Highlights on Payment of Benefits:

1. PSERS paid \$6.2 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, 2015.
2. PSERS' current monthly retirement payroll exceeds \$456 million.

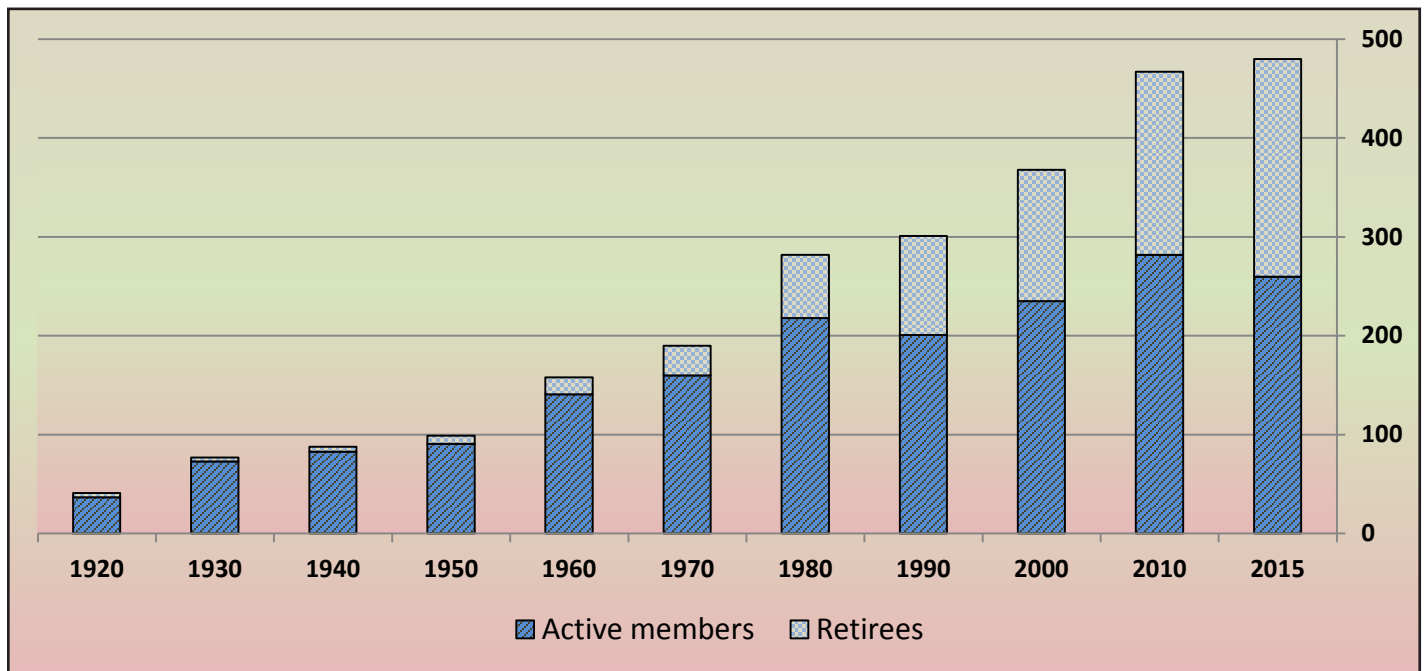


Total Membership - Active & Retired (in Thousands)

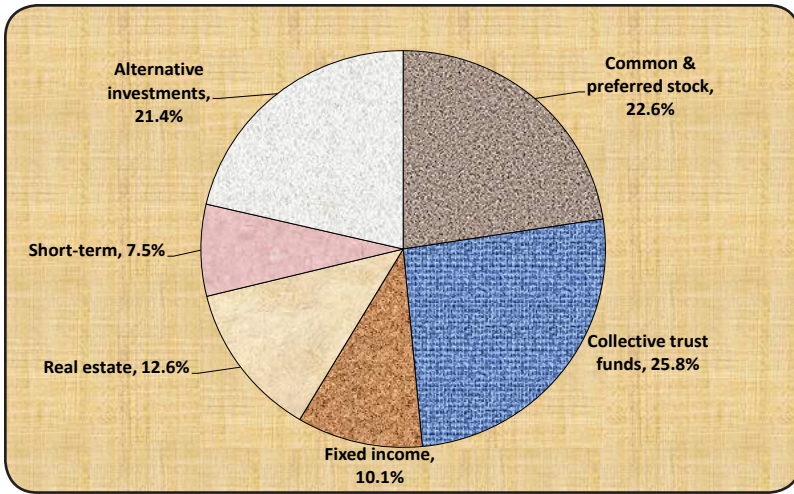
Highlights on Membership Statistics:

This bar chart below is based upon actuarial valuation statistics through June 30, 2015. PSERS' newest member population totals show the number of retired members and survivors/beneficiaries now to be approximately 220,000 and the active contributing membership to be approximately 260,000.

From 2006 to 2015, the retired membership increased by approximately 35.8% and the active membership has decreased by approximately 1.1%.



Investment Portfolio Distribution at June 30, 2015 (Fair Value)



Highlights on Investments:

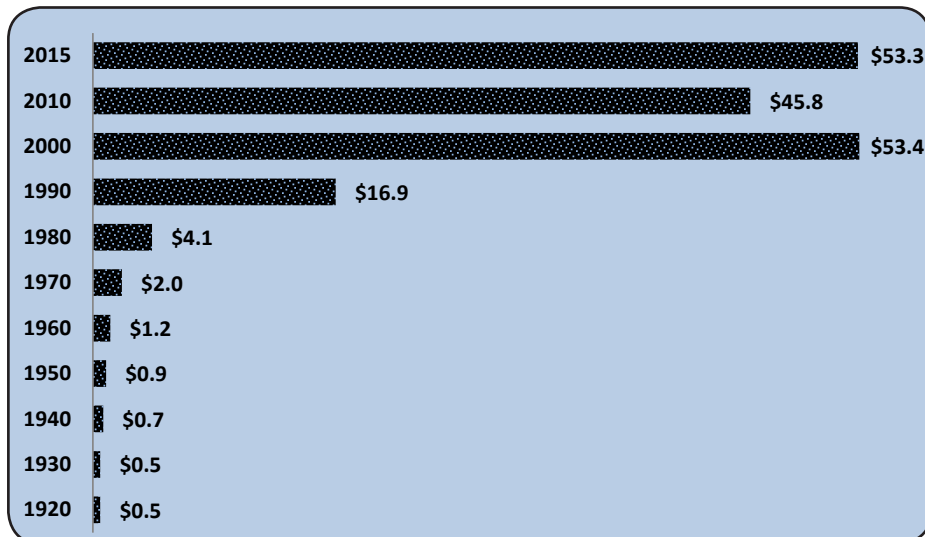
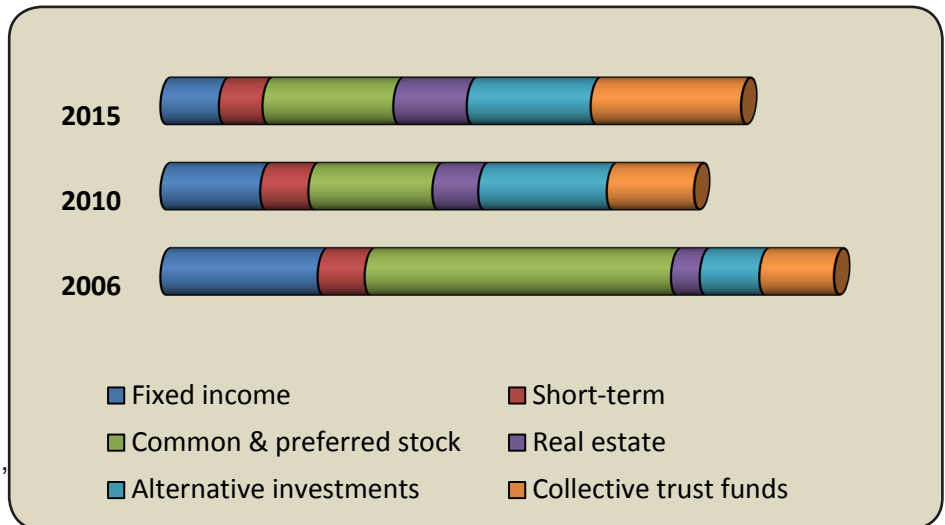
The five largest individual domestic common and preferred stocks in PSERS' domestic portfolios (in millions) as of June 30, 2015, were:

	Fair Value
AllianceBernstein Factor Risk	
Premia Fund, L.P.	\$ 189
Security Capital Preferred Growth	183
Apple Computer, Inc.	81
Microsoft Corporation	40
Exxon Mobil Corporation	39

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

Highlights on Investments:

1. In 2006, PSERS' investments at fair value were \$58.7 billion compared to 2015's \$50.6 billion.
2. PSERS' common & preferred stock investments were 45.5% in 2006 and 22.5% in 2015 of the fair value of PSERS' total investments.
3. PSERS' investments from 2005 to 2014 have shown a reallocation common & preferred stock investments to real estate, alternative, and collective trust investments.



Net Position Restricted for Benefits (Amounts in Billions)

PSERS is the 20th largest state-sponsored public defined benefit pension fund in the nation and the 30th largest among public and corporate pension funds in the nation.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Years 2015, 2010, and 2006 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2015	\$ 94.7	\$ 57.4	\$ (37.3)	60.6%
2010	\$ 79.1	\$ 59.4	\$ (19.7)	75.1%
2006	\$ 64.7	\$ 52.6	\$ (12.1)	81.2%

* 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 Fiduciary Net Position as of June 30, 2015

Assets:		
Receivables:		
Contributions due from members and employers	\$	1,114
Investment receivables and other miscellaneous		1,222
Total Receivables		<u>2,336</u>
Investments (at fair value)		50,579
Securities lending collateral pool		1,207
Capital assets		23
Total Assets		<u>54,145</u>
Deferred outflows of resources		4
Liabilities:		
Benefits and other accounts payable		756
Investment purchases and other liabilities		301
Obligations under securities lending		1,207
Total Liabilities		<u>2,264</u>
Deferred inflows of resources		-
Net Position - restricted for pension and postemployment healthcare benefits		<u>51,885</u>

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2015

Net Assets - restricted for pension and postemployment healthcare benefits at beginning of year, July 1, 2014, as restated	\$	53,220	A
Additions during the year:			
Contributions, Participant premiums, and Centers for Medicare & Medicaid Services		4,022	
Net investment income		1,329	
Total Additions		<u>5,351</u>	B
Deductions during year:			
Benefits and refunds paid to members		6,613	
Administrative expenses		73	
Total Deductions		<u>6,686</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)		(1,335)	D
Net Position - restricted for pension and postemployment healthcare benefits at end of year, June 30, 2015 (A + D)	\$	51,885	

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 PSERS' website, www.psers.state.pa.us, through the Publications page, or call 1.888.773.7748 for a copy.

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Public School Employees' Retirement System
Important Information from the
Commonwealth of Pennsylvania