

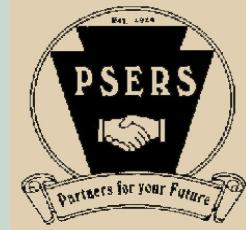
# PSERS Retired Member Newsletter

A publication of the Commonwealth of Pennsylvania's Public School Employees' Retirement System

## Spring 2009

### Inside...

- Refunds for HOP Overpayments
- Benefits of Internal Investment Staff
- Changes to Federal Tax Withholding
- Providing Information for a Diverse Membership
- and More...



### From the Desk of the Executive Director

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

As I write this article it's February and we are in the midst of a historic downturn in the economy. These times are very frightening for everyone, including active and retired PSERS members. You may be worrying whether you will ever be able to retire, or you may be worrying if your pension benefit will continue to arrive or if will be enough to live on. Everyone is being affected by the downturn in the economy.

As a result, we have received a number of questions from concerned members and thought it would be helpful to share the responses to their questions.

1. I have read numerous articles about budget cuts and potential layoffs and furloughs in state government. If these cuts occur, will my pension benefit check still arrive on time each month?

Yes, your pension benefit will arrive on time each month, even in the event of budget cuts and layoffs and furloughs in state government. Paying our member's benefit payroll each month is a critical function of the agency and will remain the top priority for PSERS.

In addition, as a member of defined benefit pension plan, your pension benefit is

guaranteed by law and is not affected by the downturn in the financial markets.

2. My pension benefit does not seem to stretch as far in this economy. May I return to service at a public school without impacting my pension benefit?

The Public School Employees' Retirement Code generally does not permit school retirees to return to work in a Pennsylvania public school without suspending their monthly retirement benefits. Public schools include charter schools, community colleges, Penn State University (PSU) and state-owned universities in addition to local school districts, vocational technical schools, and intermediate units.

There are two exceptions under which a school retiree may work in a public school without a suspension of benefits: emergency or shortage of personnel or an extracurricular position.

If a retiree working for a public school does not meet the emergency or shortage of personnel or the extracurricular position exceptions, the

The *PSERS Retired Member Newsletter* is intended for general informational purposes and to alert members about important deadlines, changes, and developments in the law or retirement policy. It should not, however, be relied on as providing legal advice or as the basis for individual retirement planning and decisions. The Public School Employees' Retirement System provides personalized retirement information and counseling services that can be accessed by calling toll-free, 1-888-773-7748. The contents of this newsletter may not be used for any commercial purpose without PSERS' prior written permission.

## From the Desk (continued)

retiree's PSERS monthly benefit is suspended and the retirement account is subject to frozen annuity treatment.

For details about returning to service and frozen annuities, refer to the PSERS *Active Member* and *Retired Member Handbooks* on the PSERS website, [www.psers.state.pa.us](http://www.psers.state.pa.us). If you are already retired or considering retirement and think you may want to work for a public school after retiring, contact PSERS' Member Service Center at 1-888-773-7748 to discuss how your employment could affect your PSERS benefits.

### 3. Why can't PSERS grant a cost-of-living adjustment (COLA) or an Early Retirement Incentive?

PSERS legally does not have the authority to lobby for or seek benefit enhancements for our members, active or retired. That task resides with retiree and active member organizations, like the Pennsylvania Association of School Retirees (PASR), or the Pennsylvania State Education Association – Retired (PSEA-R).

That does not mean that PSERS is totally passive in this matter. Indeed since Act 38 of 2002, PSERS has worked closely with members of the General Assembly who have tried to craft COLAs or Early Retirement Incentives for our members. PSERS' activities include providing cost estimates, design suggestions, preparing proposed legislation, and testifying before various legislative committees.

### 4. Where can I view an update on PSERS' investments?

PSERS is committed to providing access to public records to the fullest

extent required by law to both PSERS' members and the general public. PSERS provides extensive data on the Fund's operations both on its website and through its publications.

PSERS releases investment information on a quarterly basis. This information includes quarterly investment performance, a list of investment managers, and net asset value information, as well as other detailed investment policies and guidelines and asset allocation information. This information is available on the investment page of PSERS' website at

[www.psers.state.pa.us/invest/invest.htm](http://www.psers.state.pa.us/invest/invest.htm). Please note there is generally a one to two month delay at the end of each quarter in posting the information to the website. This delay is common among public pension funds and is necessary to gather, review and check the investment information gathered from hundreds of managers and thousands of investments.

### 5. Is PSERS taking steps to control costs during the economic downturn?

Yes, PSERS is taking additional steps to control its own costs. PSERS is funded from the earnings of the Fund, not from the Commonwealth's General Fund, which means any funds we save go back to PSERS and not to the Commonwealth's General Fund. In addition, under the Retirement Code, PSERS Board and staff are subject to both a duty of loyalty and prudence, meaning that they are obligated to operate the Fund as efficiently as possible. PSERS Board

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**Harrisburg PA**  
**17108-0125**

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**1-888-773-7748**  
**Local Calls**  
**717-787-8540**  
**TTY (Text)**  
**717-772-5379**

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

**Website Address:**  
[www.psers.state.pa.us](http://www.psers.state.pa.us)  
**E-mail Address:**  
[ra-ps-contact@state.pa.us](mailto:ra-ps-contact@state.pa.us)

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

Continued on page 3

## Refunds for HOP Overpayments

Occasionally a retiree who has medical insurance through the PSERS Health Options Program (HOP) may have an overpayment occur for the cost of the health insurance. Most frequently, this happens when a retiree –

- Cancels HOP participation after the processing of that month's retirement benefit payroll.
- Pays using a coupon book and pays an amount higher than the monthly amount due.
- Moves to another area where the insurance carrier and/or rates change without notifying us far enough in advance to update the payroll information.

When this occurs, you should contact your health insurance carrier. They are responsible for refunding any overpayments. PSERS, itself, does not have access to your health insurance information nor does it refund any health insurance overpayments.

To resolve any other health insurance issues, contact our third party administrator, PSERS Health Administration Unit, at their toll-free phone number, 1-800-773-7725, or write to them at: PO Box 1764, Lancaster, PA 17608-1764, or view the HOP website, [www.hopbenefits.com](http://www.hopbenefits.com).

### From the Desk (continued)

and staff take these duties very seriously, not just during difficult economic times but each and every day. For example, PSERS operates its own internal equity trading room and manages nearly one-third of its assets internally which saved nearly \$4 million in Fiscal Year 2008.

In light of the current downturn PSERS created an internal budget reserve to further restrict spending. As a result, PSERS is expected to lapse or return unspent budgetary dollars to the system at the end of the current fiscal year. Last year, the Fund lapsed nearly \$2.7 million

from its Fiscal Year 2008 budget.

In addition to cutting back costs, while not a General Fund agency, PSERS is subject to the Governor's Management Directives implementing a hiring freeze and banning most out-of-state travel. In addition, PSERS management employers are subject to the Governor's wage freeze for both the current and next fiscal year.

PSERS will continue to look for ways to cut costs and operate as efficiently as possible without impacting service to our members.

## Attention Desert Storm & Desert Shield Vets

### A Message for Veterans of Desert Storm and Desert Shield...

Act 29 of 2006 established the Persian Gulf Conflict Veterans' Benefit Act. The program created by this Act allows compensation to be paid to eligible service members as well as certain surviving relatives of deceased veterans. The Pennsylvania Department of Military & Veteran Affairs (DMVA) has asked PSERS to help them notify veterans of Desert Storm and Desert Shield of the benefits available to veterans through this Act.

Any individual who served in the U.S. Armed Forces, Reserve component, or the Pennsylvania National Guard in the Persian Gulf Conflict during the period from August 2, 1990, through August 31, 1991, may be eligible to apply.

Eligible veterans qualify for a payment of \$75.00 per month

(maximum of \$525.00) for each month of active service in theater. A benefit of \$5,000.00 may be awarded to a prisoner of war or certain family members of a veteran who died in active service or as a result of service-connected injury or disease.

The deadline for applying for this benefit is August 31, 2015. Details of the program are available on the DMVA website, [www.persiangulfbonus.state.pa.us](http://www.persiangulfbonus.state.pa.us) or by calling the program's toll-free number, 1-866-458-9182 (TTY 1-866-835-8983 for the hearing impaired).

If you know a veteran of Desert Storm or Desert Shield, we encourage you to share this important information with them.

## Retiree Name & Address Changes

Please submit any name or address changes to PSERS in writing.

Be sure to include your signature and social security number in the letter, and the effective date of the change, or you can print a *Change of Address for PSERS Retirees (PSRS-1301)* form from the PSERS website at [www.psers.state.pa.us/forms/f1301.pdf](http://www.psers.state.pa.us/forms/f1301.pdf), complete it, and mail it to PSERS.

PSERS will not accept address changes from an e-mail, by phone, or from anyone but the PSERS retiree. If you have named a Power-of-Attorney (POA) and the POA was approved by PSERS, the POA may make the address change request on your behalf.

If your monthly payment is mailed to your home address, please be sure to notify PSERS of your address change at least 8 weeks prior to moving, and be sure to file a forwarding order with the postal system, as well.

## Borrowing or Liquidating Your PSERS Account?

The Pennsylvania Public School Employees' Retirement System Retirement Code (Act 96 of 1975) not only establishes the rules for PSERS to manage your retirement account, but it protects your PSERS benefit as well.

Under this law, PSERS may not loan you money. Your funds in PSERS may neither be used for collateral nor attached or assigned. The only way PSERS members will receive contributions and interest from their account is to terminate employment with all public school employers and apply for benefits.

When you retire, this same law prevents the liquidation of your monthly benefit in a lump sum payment. This guarantees that you will receive a monthly benefit payment for the rest of your life.

These provisions under the law help to ensure that once you have retired, your benefit is protected well into your future.

## Senior Farmer's Market Nutrition Program

Senior Farmers' Market Nutrition Program (SFMNP) is a program developed for low-income seniors to use during the harvest season (in Pennsylvania from June 1 until November 30). SFMNP provides low-income seniors with coupons that can be exchanged for eligible foods at farmers' markets, roadside stands, and community-supported agriculture programs.

This makes nutritious, fresh, locally grown fruits and vegetables from farmers' markets, roadside stands, and community supported agriculture programs available to low-income seniors, while supporting these stands and local growers.

Low-income seniors are generally defined as individuals who are at least 60 years old and meet the household income levels determined by the federal government. In 2008, to be

eligible, a one person household income could not exceed \$19,240, and a two person household income could not exceed \$25,900. The eligibility levels for 2009 will become available later this spring.

If you are at least age 60 and you think you may meet the eligibility income level, contact your county's Office of Aging in May to find out if you do qualify. Your county's office can be located through the Pennsylvania Department of Aging's website, [www.aging.state.pa.us](http://www.aging.state.pa.us), or though the government listing in your phone book, or by contacting the Pennsylvania State Department of Aging via email at [aging@state.pa.us](mailto:aging@state.pa.us).

Please keep in mind that these coupons are available on a first come, first served basis as funding is limited.

## Providing Information for a Diverse Membership

Your PSERS member newsletter is changing to address the needs of our greatly diverse membership. Not all articles may apply to you personally, but with the diversity of PSERS' members, we are attempting to provide as many members as possible with useful information.

Regardless of your retirement benefit type (Early, Disability, or Superannuated) or your option (Maximum, Options 1, 2, 3, or Special), we hope to eventually provide you with answers to the questions you've thought about but never asked.

While in the past we have focused solely on changes in

laws affecting members, explanations of current processes, and regulations, we hope that this new direction addresses a broader audience. We took the first step in our *PSERS Update* by addressing inquiries of many members who asked PSERS about all types of financial concerns and more detailed information about the type of plan in which they participate.

We will still provide information about legislative changes affecting our members, procedures, upcoming meetings, etc., but we hope to expand the information contained in our newsletters to cover everyday issues facing our members.



## Direct Deposit Electronic Transfer of Monthly Annuity

You must complete the ***Authorization for Direct Deposit - Electronic Transfer of Monthly Benefit*** (PSRS-116) form if you wish to have your monthly benefit payment sent directly to your financial institution.

The form can be printed directly from the PSERS website at [www.psers.state.pa.us/forms/f116.pdf](http://www.psers.state.pa.us/forms/f116.pdf), or you may contact PSERS to receive a copy of the form.

When you complete the form, you should make certain that the information is completed in full and that the account number and the routing number are clearly written and accurate.

If you change financial institutions for the direct deposit/electronic transfer of your monthly benefit payment, please keep in mind that this process **may take up to 8 weeks or longer**. We suggest that you do not close your old account until the first payment is successfully received into your new account.

## Benefits of an Internal Investment Staff

Why does PSERS manage some of its investments in-house? Is there a benefit to the Fund? Is there a benefit to PSERS' members and Commonwealth taxpay- ers? These are some of the questions frequently asked by PSERS' members and the public.

The answer is - PSERS saves members and Com- monwealth taxpayers millions of dollars by having internal investment staff.

As of January 31, 2009, PSERS has 28%, or \$12.1 billion of the Fund's assets managed in-house by 30 internal investment staff. PSERS manages a portion of its assets in-house that it can manage more efficiently than if these assets were outsourced to external investment managers.

- For example, during Fiscal Year 2007-2008, PSERS saved approximately \$4 million by managing assets internally rather than outsourcing the assets to external investment managers. The investment staff also outperformed their bench- marks and added \$19 million in additional investment income to the fund. If PSERS were to eliminate its internal investment staff, Commonwealth taxpayers would have to pay significantly larger man- agement fees to external managers to similarly invest the funds.

- PSERS also operates its own in-house trading depart- ment. The trading depart- ment trades stocks for a number of our internal and external investment manag- ers. PSERS saved approxi-



mately \$8 million during Fiscal Year 2007-2008 by operating its own in-house trading department com- pared to outsourcing this investment function.

By managing investments through both internal investment staff and external investment managers, PSERS is able to effectively manage investment costs and create savings for PSERS' mem- bers and Commonwealth taxpay- ers, while still maximizing the investment performance of the Fund.

## PSERS Board of Trustees Meeting Schedule

May 1, 2009  
June 12, 2009  
August 13, 2009  
October 2, 2009  
December 11, 2009

These meetings are held in the 4th floor Boardroom of PSERS' headquarters at 5 North 5th Street in Harrisburg. In addition to these Board meet- ings, Committee meet- ings are held at various times 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 Flurie, PSERS Executive Office at 1-888-773-7748, extension 4617.

## Changes to Federal Tax Withholding

Later this year, PSERS will implement a change to the federal withholding tax (FWT) tables. We will begin to round the amount of federal withholding tax calculated from the Internal Revenue Service (IRS) tax tables for your monthly benefit payment to amounts in whole dollars.

When this change takes place, it will result in less than a dollar difference in the net benefit amount you receive. For example, if your FWT had ended in an amount from \$.50 to \$.99, the amount of FWT will increase to the nearest whole dollar. (Example: A FWT amount of \$375.99 will become \$376.00.) If your FWT had ended in an amount from \$.01 to \$.49, the amount of FWT will decrease to the nearest whole dollar (Example: A FWT amount of \$375.01 will become \$375.00.).

A separate letter of notification will not be provided. For those of you receiving your monthly benefit payment via electronic transfer, reference your financial institution statement for the change.

Those of you who receive a check mailed to your home

will note the difference in the net amount on the check itself.

You can change the amount of your tax withholding from PSERS benefits at any time by completing IRS *Form W-4P* and submitting it to PSERS. The tax withholding amount you select will be calculated from the IRS Tax Tables and rounded to nearest whole dollar amount as we have explained.

You can obtain the IRS *Form W-4P* by contacting the Internal Revenue Service (IRS) or by printing the form through their website at [www.irs.gov/pub/irs-pdf/fw4p.pdf](http://www.irs.gov/pub/irs-pdf/fw4p.pdf). The IRS *Form W4-P* is also available on the PSERS website, at [www.psers.state.pa.us/forms/fw4p.pdf](http://www.psers.state.pa.us/forms/fw4p.pdf).

PSERS tax calculator will be revised to estimate, in whole dollars, how much federal income tax will be withheld from your PSERS gross monthly benefit payment. You can find this calculator on our website at [www.psers.state.pa.us/calculators.htm](http://www.psers.state.pa.us/calculators.htm).

***Please keep in mind that this change is separate from any FWT changes that may be made by the federal government.***

## Free Transit Program

The Pennsylvania Free Transit Program provides free transit service on local established bus routes, trolley, and rapid-transit lines for individuals 65 and older. Those meeting the qualifications may ride for free on fixed route services at all regular operating times on weekdays, weekends, and holidays.

To ride for free, you need a senior citizen transit identification card. The identification card is available free of charge from participating local transit operators. An acceptable proof of age document must be shown to the transit operator to obtain the identification card.

For more information on this service, contact your local Area Agency on Aging, your local transit operator or:

Free Transit Program for Senior Citizens  
Bureau of Public Transportation  
400 North Street, 6th Floor  
PO Box 3151  
Harrisburg, PA 17105-3151

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