

Spring 2010



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Annuitant Board Member Election

The PSERS Board of Trustees will conduct an election this fall for an annuitant member to serve a three-year term on the Board beginning January 1, 2011.

To run for election an Annuitant Member must:

- Be an annuitant member of the System
- Submit an affidavit and nominating petition with 125 or more valid signatures of other PSERS annuitant members
- Submit a completed biographical form

To receive a nomination packet and more information on the duties and responsibilities of Board members, interested annuitant members may write to:

Donna C. Peterson
PSERS Election Coordinator
PO Box 125
Harrisburg, PA 17108-0125

Please be sure to specify in your request that you want information on the annuitant member seat, because an active certified member election will also be held.

Your affidavit, nominating petition, and biographical form must be returned to Ms. Peterson at the above address by 4:30 p.m. on July 16, 2010. Late receipt will disqualify a candidate from the election ballot.

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 of the Executive Director

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

By now you have seen numerous news articles discussing the significant funding issues facing the Public School Employees' Retirement System (PSERS). These articles are partly the result of extensive educational efforts that PSERS has undertaken. It is extremely important that the Legislature, school employers, PSERS active and retired members, the news media, and the general public have a correct understanding of the funding issue. While PSERS works closely with reporters and constituent groups to make sure their articles and comments are as accurate as possible, there are times when they might not be entirely clear.

In particular, articles that discuss potential solutions to the funding issue can be quite confusing and alarming to PSERS retired and active members. When you read articles about the funding issue, it is important to understand that any change to the retirement system may only occur prospectively for new employees, not existing employees or retirees. Any change to the retirement plan for existing employees or retirees is restricted by constitutional impairment of contract (Article I, Section 17) issues.

For example, this means any potential changes, such as rescinding Act 9, increasing employee contributions, or converting PSERS to a 401K or hybrid plan, would only impact new hires after the effective date of any change. Current active and retired members of PSERS would not be impacted by these changes. This is because the courts have ruled that PSERS' pension benefits are contracts with the existing members of the System and are thus subject to the constitutional prohibition of impairment of contracts.

PSERS remains committed to providing continued educational efforts on the funding issue. As part of these efforts, I discuss the following series of guiding principles for possible solutions.

Guiding Principles

1. It must be actuarially reasonable.
 2. It should have an employer contribution rate that at a minimum should be the employer normal cost plus some reasonable amount to amortize the System's unfunded liability. A rate at the employer normal cost level would pay for the benefits earned during that year and would help minimize
3. It should be able to withstand the ups and downs of the investment markets.
 4. It should reflect fiscally doable increases in the employer contribution rate to a reasonable plateau.
 5. To the extent possible, it should have budgetary predictability for the Commonwealth and school employers.
 6. It should incorporate provisions to avoid/mitigate a future funding crisis, e.g., an employer contribution rate floor set at the employer normal cost.
 7. It should avoid undue risk, e.g., avoid excessive reliance on pension obligation bonds.

additional unfunded liability at the System.



Mr. Jeffrey B. Clay

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

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

Website Address:
www.psers.state.pa.us
Email Address:
ra-ps-contact@state.pa.us

PSERS is happy to provide visually impaired readers with our publications in large print or audiocassette. Please contact PSERS to request either of these free services.

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

From the Executive Director...Continued from page 2

8. It should set a policy with respect to future cost-of-living-adjustments (COLAs), i.e., either:

a. Are they to continue on an automatic or ad hoc basis? If so, they should be pre-funded to reduce their overall costs; or...

b. Are they to be discontinued for all or some portion of present and/or future retirees?

9. It should address the potential of future benefit enhancements, e.g., when and at what funding level will they be permissible.

10. It must provide an adequate pension benefit at a

reasonable cost that will attract and retain school employees and reasonably sustain them when retired.

11. It must be legally correct and defensible, i.e., not subject to potentially successful litigation.

In closing, PSERS will continue to keep you apprised on the status of the funding issue and any potential legislation. For additional information on the funding issue visit PSERS "Pension Funding 'Rate Spike' Resource" webpage at www.psers.state.pa.us/press/pension_funding_issues/index.html.

Key Points to Remember When Reading From the Desk of the Executive Director

As you read Jeffrey Clay's article on pages 2 and 3, you will see that there has been much talk about the future funding of PSERS to meet the needs of our current and future members. When reading Mr. Clay's article, keep in mind these facts:

- ✓ PSERS has worked to provide education to the legislature, stakeholders, and the general public about contribution rate spike issues.
- ✓ PSERS does not lobby, but instead provides information and analysis to the legislature. We do not endorse or recommend specific legislation.
- ✓ *If* legislation passes that contains a reduction to member benefits, it would affect only those school employees who are hired or who return to service after the effective date of the legislation. **It would not affect current members.** For returning members, legislation reducing benefits would apply only to the service earned after the effective date of the legislation.
- ✓ The system is sound. As of the last actuarial evaluation dated June 30, 2009, the PSERS funded status was 79.2%. Benefits provided by PSERS are secure, as all PSERS pension benefit payments are guaranteed by the Commonwealth of Pennsylvania.

Retiree Name & Address Changes

Please submit any name or address changes to PSERS in writing. You can do this either by letter or by completing the *Change of Address for PSERS Retirees* (PSRS-1301) form. You can print the form from the PSERS website at www.psers.state.pa.us/forms/f1301.pdf.

Be sure to include your signature, social security number, and the effective date of the change.

PSERS will not accept address changes from an email, 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.

5 Things to Remember About Your PSERS Benefit

It's never too soon to either learn about or examine your PSERS account information. We have compiled a list of five issues PSERS is frequently questioned about by retired members. Please take some time to read about these issues.

In some cases, unaddressed issues may result in significant consequences for you and/or your family. You may find the time you spend now to read this may save you or your loved ones time and/or undue hardship in the future.

1. Be sure to keep your address current with PSERS.

If you change your residence, you should notify PSERS in writing. Be sure to include your signature with that notification.

If you fail to advise PSERS of the change, your payment will eventually be temporarily suspended even if you have electronic deposit of your payment. Additionally, PSERS mails important information, such as your *Form 1099-R* or a notice of a change in your deductions, to the address we have on file. If it is not up to date, you may not receive important information about your retirement benefit or receive your monthly benefit payments when you expect them.

2. Read all correspondence from PSERS.

PSERS sends out newsletters and various mailings throughout the year. These publications and documents contain important information about your PSERS retirement benefit. Make sure you read all

correspondence from PSERS and, if necessary, maintain these documents in a secure location. If you have questions about any of the documents, contact PSERS. Copies of the newsletters are also available on the PSERS website.

3. Take advantage of electronic transfer.

Although it is still an option for PSERS members to receive their payment by mail, those with electronic transfer experience far fewer problems than those who continue to receive their payment by mail. Electronic transfer offers more safety, speed, and convenience at no additional cost.

You must complete and submit an *Authorization for Direct Deposit/Electronic Transfer of Monthly Benefit* (PSRS-116) form to establish the electronic transfer of a monthly benefit payment or change the financial institution to which your PSERS monthly benefit is sent. This form may be printed from the PSERS website at www.psers.state.pa.us/forms/f116.pdf or by contacting PSERS.

4. Know the rules about returning to service.

There are rules about returning to service in a public school after you retire. Act 63 of 2004 specifically defines the ability of a PSERS retiree to be employed by a Pennsylvania public school, including community colleges, Penn State University, and institutions in the State System of Higher Education, in emergency/shortage of personnel and extracurricular activity situations. If you have questions about returning to service and how it will impact your retirement benefit, please contact PSERS before you return to service. There is also detailed information available in the PSERS *Retired Member Handbook*, which is accessible on the PSERS website, www.pfers.state.pa.us, at www.pfers.state.pa.us/publications/rethb/default.htm.

5. No one may transact PSERS-related business for you unless you have given them power-of-attorney (POA) and PSERS has that approved POA on file.

PSERS frequently receives phone calls, emails, and letters from people stating to be a retiree's POA and he or she is either asking for information about a retiree's account or trying to update a retiree's contact information.

If you have given power-of-attorney to a friend, financial institution official, lawyer, or family member allowing them access to your personal information, PSERS must have a copy of a POA form on file. For this purpose, the PSERS *Power of Attorney* (PSRS-248) can be printed from the PSERS website at www.pfers.state.pa.us/forms/f248.pdf or requested by contacting us.

Laws vary from state to state and not all POA forms meet the necessary legal requirements for PSERS. We highly suggest that to prevent delays in receiving information, the PSERS *Power of Attorney* (PSRS-248) form be used to name a POA.

You may also rescind a POA you have submitted to PSERS by writing to PSERS with your request. The letter must be signed by you. If you are naming a new POA, simply submit a new POA form.

If you have questions about any of the topics listed or any other questions about your retirement benefit, please contact PSERS.

PSERS Board of Trustees Meeting Schedule

June 11, 2010
August 12, 2010
October 8, 2010
December 10, 2010

These meetings are held in the fourth floor Boardroom of PSERS' headquarters at 5 North 5th Street in Harrisburg. In addition to these Board meetings, Committee meetings 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.

Is Premium Assistance for Me?

Premium assistance is a special financial incentive available to PSERS retirees to help offset the cost of health insurance coverage, provided the coverage is obtained through the PSERS Health Options Program (HOP) or Commonwealth public school employer or district health plan. Retirees must incur an actual out-of-pocket premium expense for their health insurance. **Health insurance obtained through any source other than HOP or a school plan is not eligible.**

There are additional premium assistance eligibility requirements:

- You must have at least 24½ years of credited service regardless of age *or* terminated school employment and retired at or after reaching age 62 with at least 15 years of credited service.
- You are receiving a disability retirement benefit from PSERS.

If you are eligible, PSERS will reimburse you for out-of-pocket premium expenses of up to \$100.00 per month. If eligible, the premium assistance reimbursement is paid as part of your monthly retirement benefit. Premium assistance is not taxable income.

If you believe you are eligible for premium assistance and would like to apply or you have further questions, contact the PSERS Premium Assistance Unit at their toll-free number, 1-866-483-5509.

Premium Assistance & Changes to Your Medical Insurance Plan

If you are receiving premium assistance payments, you must notify PSERS of any change in either your health insurance provider or your premium rates. Should you fail to notify PSERS and a change affects either your eligibility to receive premium assistance or alters the amount of your reimbursement, ***you will be required to repay the difference!***

If you are receiving premium assistance for your participation in your school employer plan and that coverage terminates, you must enroll in HOP to maintain your premium assistance. If you do not enroll in HOP when your school employer's coverage ends, you must call 1-866-483-5509 to terminate your premium assistance. **If you do not make this call, you will be billed for any overpayments!**

PSERS identifies retirees who receive overpayments annually, but it is your responsibility, not your school employer's, to notify PSERS when you are no longer enrolled in a plan approved for premium assistance.

Northeast Office Relocation

The PSERS Northeast Regional Office has moved to a new location as of March 30, 2010! The Northeast office, which serves Lackawanna, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, and Wyoming Counties, is now located in Scranton, Pennsylvania.

The new office is conveniently reached from Routes 81, 11, and 307. The office is located 21 miles from Wilkes-Barre, 46 miles from Stroudsburg, 68 miles from Easton, 52 miles from Milford, 47 miles from Montrose, 32 miles from Honesdale, and 25 miles from Tunkhannock.

To contact the Northeast Regional Office at their new location, the address is:

Northeast Regional Office
Suite 201
417 Lackawanna Ave.
Scranton, PA 18503-2013

The office's toll-free number remains the same, 888-773-7748, ext. 5375. The local number has changed to (570) 614-0269, and the new fax number is (570) 614-0278.

PSERS Health Options Program

PSERS offers school retirees and their family members (spouse, surviving spouse, and dependents) the opportunity to enroll in a voluntary group health insurance program.

The Health Options Program, commonly referred to as HOP, provides a number of health insurance options from which both individuals eligible for Medicare as well as those not yet eligible for Medicare may choose.

Any option in HOP, except stand alone prescription drug coverage, qualifies for premium assistance provided the individual also meets the service and age or disability requirements to receive up to \$100 per month in non-taxable reimbursement for the cost of purchasing basic health insurance.



Frequently, retirees who are not yet eligible for Medicare remain covered by their former school employer group plan but, in many cases, that coverage may not be available after becoming eligible for Medicare.

To help retirees understand Medicare and the choices of HOP coverage they can purchase, PSERS holds a series of meetings twice each year for retirees about to reach their 65th birthdays. Individual invitations and a HOP Personalized Statement showing options and premium costs are automatically mailed to retirees about 6 months before they reach age 65. By attending one of these HOP meetings, retirees can become better informed about Medicare and the availability of Medicare supplemental and Medicare Advantage (managed care) coverage through HOP.

Information about HOP is also available at:

www.HOPbenefits.com

or by calling the HOP Administration Unit toll-free at 1-800-773-7725.

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***, or you may contact PSERS to receive a copy of the form.

It may take up to 8 weeks or longer to make this change.

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