



Benefits Hotline

Summer 2008 Retiree Newsletter

PSERS

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7:30 a.m. - 5:00 p.m.

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employer supporting
workforce diversity.

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.

The *Benefits Hotline* 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.

Top 10 Things to Remember About Your PSERS Benefit

Now that we are in the heat of summer, we start thinking about the cooler days of the fall. Often we decide to put off chores until then. You should not, however, put off some chores. Now is a good time to review your PSERS account.

Below are the Top 10 issues PSERS is frequently questioned about by retired members. Please take some time and review the following issues. In some instances if these issues are not addressed, there can be significant consequences for you and your family.

- 1. 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.
- 2. Be sure to keep your address current with PSERS.** If you change your residence and fail to advise PSERS, you may still continue to get your monthly retirement benefit as long as you have direct deposit. PSERS, however, mails important information, such as your *1099-R*, changes 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.
- 3. Take advantage of Electronic Transfer of your monthly benefit.** Although it is still an option for PSERS members to receive their payment by mail, members 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.
- 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. The rules are contained

Top 10 Things to Remember...(continued)

in the PSERS *Retired Member Handbook*, which was mailed to you at the time of retirement and as the publication is updated, or online at www.psers.state.pa.us/publications/rethb/default.htm. See page 6 of this newsletter for information about returning to Pennsylvania public school service.

If you have questions about returning to service and how it will impact your retirement benefit, please contact PSERS **before** you return to service.

5. PSERS cannot grant a cost-of-living-adjustment (COLA). PSERS does not determine when a COLA should be granted, nor do we determine the amount or terms of the increase. The Pennsylvania Legislature determines all COLA increases for PSERS retirees. PSERS is a Commonwealth of Pennsylvania agency and, as such, we cannot lobby for COLA increases, nor do we have “the inside track” on information pertaining to pending COLA legislation. A COLA is payable to retirees who have reached superannuation (normal) retirement status or are receiving a disability retirement benefit. Retirees receiving an early retirement benefit may have to wait for the COLA increase until they have reached or passed what would have been their normal (superannuation) retirement date. Retirees who have not reached superannuation status when a COLA is enacted will receive the increase with the July payment after reaching what would have been their earliest superannuation date. Survivor annuitants do not receive cost-of-living increases on the monthly payments they receive from PSERS. The Pennsylvania Constitution prohibits the Legislature from granting cost-of-living increases to survivor annuitants.

6. Your retirement option decision is final. PSERS legally cannot change your option after a certain period of time (30 days after

notification that your initial retirement benefit was processed). The only exception is if you elected a survivor option (Option 2, 3, or the Custom Option). This option allows you to select another retirement option if your survivor annuitant predeceases you, or if you marry or divorce. Your gross monthly benefit payment may decrease if you select another option. If you elected a survivor option, contact PSERS prior to changing your retirement option.

7. A disability benefit is a type of retirement benefit and not an insurance plan. You cannot switch or apply to receive a disability retirement after you apply to receive a regular retirement. If you are already receiving a retirement benefit from PSERS, you may not apply for a disability retirement benefit.



8. Your monthly retirement benefits are payable on the last business day of each month. Regardless of which weekday happens to be the last busi-

ness day of the month, your retirement benefit is not legally negotiable until that day. If you have your benefit payment electronically transferred into your account, your funds should be available for your use by 9 a.m. on the last business day of the month. If you opt to receive a paper check mailed to your home address, it may take an additional day or two after the last business day for the check to reach you.

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Top 10 Things to Remember...(continued)

- 9. You cannot liquidate your account, nor can you borrow from your account.** There is no provision under the law governing PSERS that allows you to receive a lump-sum payout of the value or remaining value of your account in lieu of a lifetime monthly payment. Additionally, PSERS funds cannot be attached or assigned.
- 10. If you want someone else to act for you in handling or discussing your account, PSERS must have an approved power of attorney (POA) on file.** A POA would give your agent the authority to change your address, change or start electronic transfer, change your federal tax withholding status, change or stop your medical insurance coverage, etc., with PSERS. To add someone as an agent of your account, request a *Power of Attorney* (PSRS-248) form. The form is also available on PSERS' website at www.psers.state.pa.us/forms/f248.pdf. This form has been specifically designed to provide the information required by PSERS. A POA document other than the PSERS form is **not** preferred by PSERS. You may cancel the POA at any time you are competent to authorize it.

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

Changing the Electronic Transfer of Your Monthly Benefit Payment

To change the financial institution to which your PSERS monthly benefit is sent, you must complete and submit an *Authorization for Direct Deposit/Electronic Transfer of Monthly Benefit* (PSRS-116) form.

PSERS must receive the form no later than the end of the previous month to affect the payment sent at the end of the current month. PSERS recommends that the request to change your account actually be sent 60 days in advance of the payment date to ensure that there is sufficient processing time.

We highly suggest that you do not close the previous account until the first payment has successfully arrived in the new account. If you close your old account prior to the processing of your new request, your monthly payment can be delayed, possibly as long as four weeks.

The *Authorization for Direct Deposit/Electronic Transfer of Monthly Benefit* (PSRS-116) is available on the PSERS website at www.psers.state.pa.us/forms/f116.pdf. You can request the form by calling PSERS at our toll-free number, 1-888-773-7748, or by e-mailing your request to, ra-ps-contact@state.pa.us.

Changing Your Address

Whether you are receiving your monthly benefit payment via electronic transfer or mailed to your home address, please remember to notify PSERS of any changes to your home address.

We need your current address information to mail important information to you throughout the year. This includes the mailing of your IRS *Form 1099-R* in January of each year.

We do require that any address change for our retirees be submitted to us in writing.

The letter to change your address should include:

- ✓ Your name
- ✓ Your social security number (or the last four digits of your social security number)
- ✓ Former address
- ✓ New address
- ✓ New telephone number
- ✓ Effective date of the change
- ✓ **Your signature**



PSERS Announces New Online Federal Tax Withholding Calculator

PSERS has added a monthly federal tax withholding calculator to our website at www.psers.state.pa.us/fedwithholding/DISPLAYTAX.aspx. It is designed specifically for our members. The federal tax withholding amounts created by the calculator are based on current Internal Revenue Service (IRS) tax tables.

The PSERS monthly federal tax withholding calculator estimates how much federal income tax would be withheld from your gross monthly PSERS pension payment. The withholding amount is based on the gross amount of your monthly benefit payment as well as the total number of allowances and the marital status you either are claiming or plan to claim.

Using the calculator does not actually change the federal withholding amount for your PSERS pension payment. To change the withholding amount, you must complete and submit to PSERS the Internal Revenue Service's *IRS Form W-4P, Withholding Certificate for Pen-*

sion or Annuity Payments. You can get this form by contacting the IRS or by printing it from the IRS website at www.irs.gov/pub/irs-pdf/fw4p.pdf. You can also contact PSERS or print it from our website, www.psers.state.pa.us/forms/fw4p.pdf.

The calculator can also provide you with your potential net monthly benefit payment amount, excluding any Premium Assistance reimbursement to which you may be entitled. If you are receiving Premium Assistance payments, you must add the monthly amount of those payments (up to \$100) to the "net benefit" amount displayed to determine your potential total adjusted net benefit payment amount.

Amounts created by the calculator are subject to audit, verification, and recomputation. It is not meant to constitute a binding representation. Any possible error is subject to correction in accordance with the Public School Employees' Retirement Code and the Internal Revenue Code.

Using the Federal Tax Withholding Calculator

Enter Your Monthly Taxable Pension Amount	\$ 0.00
Enter the total of other deductions (for example, health insurance deduction):	\$ 0.00
<input type="button" value="Calculate"/>	

Enter Gross Taxable Amount of Your PSERS Monthly Payment

Enter Amount of Deductions, Do Not Include Your Current Tax Withholding Amount

When you open the Monthly Federal Tax Withholding Calculator, a screen will appear asking you to enter your monthly taxable pension amount and the amount of any deduction, such as the amount you pay for your monthly Health Options Program (HOP) payment, child support, etc. Enter the appropriate total amounts within those fields. Do not include the current amount of any federal withholding amount unless it is for a lien placed against your account by the IRS. Be sure to include the decimal point when including cents.

Enter Your Monthly Taxable Pension Amount	\$ 3000.00
Enter the total of other deductions (for example, health insurance deduction):	\$ 400.00
Calculate	

After you have entered the gross amount of your monthly benefit payment and the total amount of your deductions, select the "Calculate" button. The following screen will appear:

Enter Your Monthly Taxable Pension Amount	\$ 3000.00
Enter the total of other deductions (for example, health insurance deduction):	\$ 400.00
Calculate	

	Amount Withheld	Other Deductions	Net Monthly Pension
Single - 0 Allowances:	\$402.00	\$400.00	\$2,198.00
Single - 1 Allowances:	\$341.25	\$400.00	\$2,258.75
Single - 2 Allowances:	\$297.50	\$400.00	\$2,302.50
Single - 3 Allowances:	\$253.75	\$400.00	\$2,346.25
Married - 0 Allowances:	\$285.15	\$400.00	\$2,314.85
Married - 1 Allowances:	\$241.40	\$400.00	\$2,358.60
Married - 2 Allowances:	\$197.65	\$400.00	\$2,402.35
Married - 3 Allowances:	\$153.90	\$400.00	\$2,446.10

Amount of Federal Withholding Based on Marital and Allowance Status

Marital and Allowance Status

Payment Amount You Would Receive

This screen supplies you with the federal tax amount that would be withheld should you select a particular marital status and number of allowances, based on the gross taxable payment amount and deduction amount you provided.

Please keep in mind that the online Monthly Federal Tax Withholding Calculator does not change your federal tax withholding amount. To actually change your federal tax withholding amount, you must complete and submit to PSERS the *IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments*.

You (or your designated Power-of-Attorney) are the only person who can change your federal tax withholding amount by submitting to PSERS the IRS form. If you make a mistake when you complete the *IRS Form W-4P*, PSERS cannot correct the error. You must complete a new *IRS Form W-4P* and submit it to PSERS.

Reminder...

Returning to School Service After Retirement

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.

As a school retiree, you may work in a public school without suspension of benefits under two exceptions:

1. **Emergency or shortage of personnel -**

You may return to work in a public school for a period not to extend beyond the school year during which an emergency or shortage of personnel occurs. Your employer is expected to make a good faith effort to secure non-retired personnel before offering the employment to you.

2. Extracurricular position – You may return to work for a public school in an extracurricular position that is conducted primarily outside of regular instructional hours and is not part of the school's mandated curriculum. This type of employment DOES NOT require emergency or shortage of personnel but DOES require a separate written contract.

If you return to working for a Pennsylvania public school and the position does not meet one of the criteria outlined above, your PSERS monthly benefit is suspended and the retirement account is subject to frozen annuity treatment. For details about return to service and frozen annuities, refer to the *PSERS Retired Member Handbook* or visit the PSERS website at...

www.psers.state.pa.us

Employment in Community Colleges/Penn State University/State-owned Universities

On occasion, a school retiree may return to work

for one of the state's community colleges, Penn State University, or 14 state-owned universities (collectively referred to as "Colleges"). If that employment does not fall under the exceptions, additional rules as indicated below **may** permit you to return to service without a suspension of benefits.

Generally, a College employee may select a retirement plan from PSERS, SERS (State Employees' Retirement System), TIAA-CREF or other approved retirement plans.

PLEASE NOTE: If you become a member of TIAA-CREF or other approved plan, then PSERS benefits are not affected. This also applies if you elect SERS and you are not a Multiple Service retiree. Different rules apply to a Multiple Service retiree; in this case you would automatically be enrolled in SERS and PSERS benefits will be suspended.

You might then be tempted to make the broad statement, "***PSERS retirees may work for a College as long as they elect retirement coverage under SERS or an other approved plan.***" This is a true statement only if you are eligible to make the election into SERS or another approved plan. You might not be eligible to make the election because you do not work enough hours or days to meet the minimum membership requirements for these plans. In this case, your PSERS benefits would be suspended. To determine the minimum membership requirements for other retirement plans, please contact that plan or your employer. PSERS does not have this information.

A Related Note

Many full-time public school employees work part-time for a community college, Penn State University, and/or state-owned universities (College). Retirement contributions are made to PSERS from both employers, and the combined

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Returning to School Service After Retirement (continued)

salaries/wages are used to calculate a benefit at the time of retirement. After retirement from the full-time position with the local school district, some retirees may wish to maintain or return to a College position(s).

To continue receiving your PSERS retirement benefits while employed by a College, you must meet all of the following conditions:

1. First and foremost, you can have no prearranged agreement for a return to service with a College.
2. You must terminate employment from all full-time and part-time employers. Generally, there must be a 90-day break in service to qualify as a termination.
3. You must elect SERS or another approved plan membership when returning to employment with a College. (Remember, you must meet the plan's minimum requirements to be eligible for that plan.)

Admittedly, the rules governing the ability of a school retiree to work in a public school are complex. If you think you may want to work for a public school (especially a College) after retiring, contact PSERS to discuss how your employment could affect your PSERS benefits.

PSERS Board of Trustees Meeting Schedule

August 14, 2008
September 26, 2008
December 12, 2008

These meetings are held in the 4th 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 Marilyn Fuller-Smith, PSERS Executive Office at 1-888-773-7748, extension 4921.

Working After Retirement - Summary

Listed below are general responses to questions recently asked of PSERS pertaining to working after retirement. This list is not meant to be inclusive of all terms for working after retirement. If you have a question about working after retirement in a Pennsylvania public school, please contact PSERS.

- ✓ There must be a legitimate break in service for at least 90 days before returning to employment in a Pennsylvania public school.
- ✓ A retiree may return to service without jeopardizing his or her retirement benefit when hired under an emergency or shortage of personnel provision. **The employer must make a good faith effort to hire non-retirees for the position before hiring a retiree.**
- ✓ A retiree may return to work in an extracurricular position that is not part of the school's mandated curriculum and conducted primarily outside of regular instructional hours. This position requires a separate written contract.
- ✓ A retiree who becomes an independent contractor and performs the same job that he or she performed for the same employer, will cause the retiree's original position to come under question as PSERS-covered employment.
- ✓ A retiree may work in any private or parochial Pennsylvania school or in any public school outside of Pennsylvania without jeopardizing their PSERS benefits.
- ✓ If a retiree works in a Pennsylvania state-owned college or community college, the retiree must choose a retirement plan other than PSERS. The retiree must also work enough days or hours to actually be eligible to choose one of the other retirement plans available at that college.
- ✓ **If a PSERS disability retiree returns to public school service for any reason, the benefit will stop. There are no exceptions.**

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