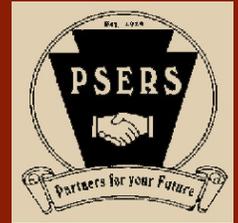


## Summer 2009

### Inside...

- New PSERS Board of Trustee Members
- Federal Tax Withholding Changes
- Returning to PA Public School Service
- Applying for Social Security Benefits  
*and More...*



## From the Desk of the Executive Director

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

It is late April and we have now begun the fourth and final quarter of PSERS' fiscal year 2008-2009. I am hesitant to comment on the current state of the investment markets. Since October 2008, as I write this update the markets appear to have stabilized somewhat. While the markets have shown some improvement in March and April, it is important to note that we are a long way from a recovery. The losses experienced by investors, including PSERS, have been of a historic proportion.

PSERS and its sister system, the State Employees' Retirement System (SERS) are still facing significant funding issues. These issues are due primarily to the current economic decline and the previous recession earlier this decade when the technology bubble burst. It has been a difficult decade for investors across the country, with significant investment losses both in the beginning and at the end of the decade.



Jeffrey B. Clay

As mentioned in previous articles and presentations, PSERS is funded by three sources: employee (member) contributions, employer contributions, and investment earnings. Most of the fund's income has come from investment earnings. That has begun to change; however, as the investment markets have experienced significant losses. Since member contributions are fixed by statute, the source that is impacted when investment earnings decline is the employer contribution rate. This is part of the basic structure of how a defined benefit pension plan, like PSERS, works. The employer benefits when the investment earnings increase and they have to put less into the system. When the investments do not increase, the employers have to put more funding into the system.

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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)

There already has been media coverage of the rising employer contribution rate and, in particular, the significant rate increase anticipated in fiscal year 2012-2013. I would expect the coverage to increase as we move closer to that time. We are currently exploring options and working with legislators to look at potential ways to address the increasing employer contribution rate. Stay tuned for future updates on the situation.

In closing, you may have heard rumors or seen media coverage regarding decreasing benefits or changing the structure of the

pension system. I would like to remind our members that your pension benefit is secure and it is our belief that any such changes would have to be prospective only to new employees to avoid the Pennsylvania Constitution's prohibition against the impairment of a contract (Article I, Section 17). In particular, the courts have ruled that PSERS' and SERS' pension benefits are contracts with the existing members of the System, regardless of vesting, and thus subject to the constitutional impairment of contract prohibition.

## New Members on the PSERS Board of Trustees

### PSERS Board of Trustees welcomes three new Board members

The beginning of 2009 has brought changes to the PSERS Board of Trustees.

Senator Shirley M. Kitchen (D-Philadelphia County) has replaced Senator Vincent J. Fumo as one of the two members of the Senate appointed to the PSERS' Board by the President Pro Tempore of the Senate. She joins Senator Robert C. Wonderling (R-Bucks, Lehigh, Montgomery, and Northampton Counties) who was appointed to the Board in January 2007.

Representative Glenn R. Grell (R-Cumberland County) has replaced Representative Steven R. Nickol as one of the two members of the House of Representatives appointed to the PSERS' Board by the Speaker of the House. He joins Representative Dwight Evans (D-Philadelphia County) who was appointed to the Board in January 1991.

In addition, Treasurer Robert M. McCord was elected State Treasurer in November 2008. He serves as a member of the PSERS Board of Trustees (ex officio).

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

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**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.**

## Regional Office Relocation!

**The PSERS Centralwest Regional Office is moving in August to Ebensburg, PA.**  
**Check the PSERS website for details!**

## Elder Abuse Help in Pennsylvania

Pennsylvania maintains a statewide hotline to report suspected elder abuse. If you believe that an older adult you know, or if you, yourself, is being abused, exploited or neglected, you can call the elder abuse hotline at 1-800-490-8505. This hotline is available 24 hours a day, seven days a week.

Those reporting the suspected abuse may remain anonymous, and have legal protection from retaliation, discrimination, and civil or criminal prosecution.

The Pennsylvania Department of Aging makes available a pamphlet entitled, "Elder Abuse: Open Your Eyes to the Issue." This pamphlet addresses the issue and provides helpful information. The pamphlet is available through the Department's website, [www.aging.state.pa.us](http://www.aging.state.pa.us), via email request at [RA-AI-Publications@state.pa.us](mailto:RA-AI-Publications@state.pa.us), or by contacting the Department of Aging at (717) 783-8975.

## Important Information Regarding Federal Tax Withholding Changes

In April, PSERS mailed a letter to more than 100,000 PSERS retirees notifying them of the change to their net monthly payment due to the "American Recovery and Reinvestment Act." As part of the federal economic stimulus package, the Act included revisions to the federal withholding tax (FWT) tables for 2009 and 2010. These revisions lowered the amount of money withheld for federal taxes based on the changes to the tax tables.

Those retirees who elected to have income tax withheld from their monthly benefit payment based on the IRS tax withholding tables received a letter from PSERS informing them of the change in the withholding amount and the new net payment amount. Retirees who elect that no federal income tax be withheld or those who had elected to withhold only a specific amount did not receive a letter, as it would not affect the amount of the federal withholding.

### What could this change in the amount of your federal withholding mean to you?

The Internal Revenue Service (IRS) mandated that by April 1, 2009, PSERS change the FWT tables we use to determine a retiree's tax withholding amount, even though pension income is not considered eligible income for the stimulus plan. Pension income is not considered earned income as

defined by the IRS Tax Code. The stimulus package is written that it only affects **earned** income, not pension income like your monthly annuity payment.

As a result, PSERS is likely withholding less FWT, this change may impact your federal tax return. Depending on your tax status, this could result in too little money being withheld, and therefore, the possibility of owing money to the IRS. A married couple filing a joint return could have \$800 less withheld, and for all others, \$400. You will not see much of a change, if at all, if your income exceeds \$75,000 filing as single, or \$150,000 for those filing a joint return. The stimulus package doesn't apply to incomes exceeding those levels.

If you have questions about how the Act affects your federal tax liability and/or if you should change your FWT amount with PSERS, we suggest that you contact a qualified tax professional or the IRS.

If you do need to change your FWT, to do so you need to complete and submit to PSERS either the PSERS version of a *W4-P*, the *W-4P Federal Tax Withholding Certificate for Pension or Annuity Payments*, or the *IRS Form W4-P*. The PSERS version is the preferred form. PSERS' *W-4P Federal Tax Withholding Certificate for Pension or Annuity Payments* may be obtained via the PSERS website at [www.psers.state.pa.us/forms/fw4p.pdf](http://www.psers.state.pa.us/forms/fw4p.pdf), or by contacting PSERS.

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## 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 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).

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

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.

Federal Tax Withholding...Continued from page 3

### **Changing Your Federal Withholding Amount**

PSERS has its own simplified version of a *W-4-P* form available entitled, *W-4P Federal Tax Withholding Certificate for Pension or Annuity Payments*. Our form allows you to select a specific amount or percentage, which the IRS *Form W-4-P* does not allow you to do. You can print the PSERS form from the PSERS website at [www.psers.state.pa.us/forms/W-4P.pdf](http://www.psers.state.pa.us/forms/W-4P.pdf), or we can send the form to you.

When you submit a *W-4P Federal Tax Withholding Certificate for Pension or Annuity Payments*, the withholding selected on the new form replaces any previous tax withholding request you made. Please make certain that you fill out the

form completely. This form gives you the option of making a single choice of either:

- Withholding no taxes.
- Withholding taxes according to filing status with or without an additional amount.
- Withholding a specific amount.
- Withholding a specific percentage of your gross monthly benefit amount.

PSERS does have a Monthly Federal Tax Calculator available to assist you with the completion of either the *W-4P Federal Tax Withholding Certificate for Pension or Annuity Payments* or the *IRS Form W-4P*. You can find it on our website at [www.psers.state.pa.us/fedwithholding/DISPLAYTAX.aspx](http://www.psers.state.pa.us/fedwithholding/DISPLAYTAX.aspx).

## Returning to PA Public School Service After Retirement

Normally, a PSERS retiree who receives a regular retirement benefit may not return to Pennsylvania public school employment without jeopardizing his or her retirement benefit. There are, however, two possible exceptions: employment due to an emergency or shortage of personnel, or employment in an extra curricular position (i.e., a coach).

### **Emergency/Shortage**

The employer must determine that there is an increase in the workload that creates a serious

impairment of service to the public or there is a shortage of personnel, before a retiree may return to Pennsylvania school service. **Employers are expected to first make a “good faith” effort to secure non-retired school personnel.**

PSERS does, however, reserve the right to review an employer’s determination that a qualifying emergency or shortage exists.

### **Extra Curricular**

A retiree may also work in an extracurricular position performed primarily outside

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regular instructional hours and is not part of the mandated educational curriculum. **To do so, a retiree must be employed under a separate contract by the Pennsylvania public school entity.**

The written contract must contain a waiver from the retiree waiving any potential retirement benefits that could result from the post-retirement employment, and a release from both the employer and PSERS from any liability for benefits related to the post-retirement employment.

*Payment of any employer or employee retirement contributions for any service performed under the contract to PSERS on behalf of the member is prohibited.*

### **Employment in Colleges after Retirement**

There are additional rules that may permit a school retiree to return to service for one of the state's 22 community colleges, Penn State University, or 14 state-owned universities (collectively referred to as "Colleges") without a suspension of retirement benefits.

Generally, a college employee may select a retirement plan from among three choices: PSERS, SERS (State Employees' Retirement System), or other approved retirement plans, such as TIAA-CREF. PSERS benefits are not affected if a school retiree becomes a member of SERS or other approved plan.

PSERS benefits are suspended if:

- A multiple service retiree (one who is receiving a retirement benefit based on combined SERS and PSERS service) returns to work in a college. A multiple service retiree will be automatically enrolled in SERS and PSERS benefits will be suspended.
- The retiree is not eligible to select SERS, TIAA-CREF or other approved retirement plan because they do not work enough hours or days to meet the minimum membership requirements for these plans. To determine the minimum membership requirements for other retirement plans, please contact that plan or the employer. PSERS does not have this information.

A retiree returning to service under the emergency, shortage, or extracurricular provisions, **must have had a bona fide termination and retirement.** A retirement may come into question if one "retired" and immediately began working under an "emergency," "shortage," or "extracurricular" exception. It may be considered that the retiree truly did not retire and the employment may be treated as continuing part-time or full-time employment.

There are no restrictions for employment in a Pennsylvania

## **Additional Information for Returning to Service**

- ✓ The period for which a retiree may return is not to extend beyond the school year during which the emergency or shortage occurs.
- ✓ It is the retiree's responsibility to notify the employer that he or she is a PSERS retiree.
- ✓ Those who retired under a disability retirement benefit **may not** return to Pennsylvania public school service for any reason without stopping their PSERS monthly benefit payment.
- ✓ Retirees, prior to returning to Pennsylvania public school employment in the capacity of a consultant, should submit their request in writing to PSERS for review.
- ✓ Any retiree returning to Pennsylvania public school employment for any reason should notify the employer that he or she is a PSERS retiree. Retirees who are returning to Pennsylvania public school employment not in an emergency, shortage, or extracurricular position as outlined should also send a letter to PSERS including the return to service date. PSERS will then stop the pension payment.

Continued on page 6

private school or school employment in another state. **For those retirees receiving a disability retirement benefit, employment of any kind may bring into question the eligibility to receive a disability retirement benefit.**

A retiree who once again becomes an active-contributing member and **is not** returning under the emergency, shortage of personnel, extracurricular situation, or qualifying "College" provision, will have the value of his or her annuity "frozen." This means:

- The monthly retirement benefit stops until the retiree once again applies for a retirement benefit.
- Contributions will once again be made to the retiree's PSERS retirement account.

- Service credit is earned for the length of this employment period.

**Note: A frozen annuity will also apply to a PSERS retiree who returns to service under the State Employees' Retirement System (SERS) and elects Multiple Service membership, as electing Multiple Service membership combines SERS and PSERS service.**

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 Pennsylvania 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 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 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.

## Applying for Social Security Benefits

As a PSERS retiree, you may have retired prior to reaching your eligibility for a social security benefit. If you are approaching social security eligibility, you may want to take a look at the Social Security Administration (SSA) website, [www.socialsecurity.gov](http://www.socialsecurity.gov), or contact your regional SSA office for more information.

To help provide information about social security benefits, Mark Bacak, SSA's Acting Regional Communications Director, answers some frequently asked questions. In addition to the information below, he recommends using their website. You can find answers to your questions, forms, fact sheets, and retirement estimator, and other helpful information. You can also

contact SSA offices each business day from 7 a.m. to 7 p.m. at 1-800-772-1213 (TTY number, 1-800-325-0778). Be sure to have your social security number handy.

### Q. When is the best time to retire?

A. There is no single answer. It depends on a number of factors, and the decision is up to you. Use the new fact sheet, *When To Start Receiving Retirement Benefits*, which explains the things you should consider, and chart your own course by using the online Retirement Estimator. When you're

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ready to apply for retirement benefits, save yourself a trip and apply online at

[www.socialsecurity.gov](http://www.socialsecurity.gov).

- Q. Once I retire, will my benefit amount be the same for the rest of my life?**
- A.** In short, "No." Once you start receiving benefits, each year you will receive a cost-of-living adjustment (COLA) based on the rise in the consumer price index. And there is another way that your benefit might increase. If you work, you continue to pay social security taxes on your earnings even though you are receiving benefits. Because you pay these taxes, the SSA refigures your benefits to take into account your extra earnings. If your indexed earnings for the year are higher than the earnings that were used in the original benefit computation, the SSA substitutes the new year of earnings. The higher your earnings, the more your refigured benefit might be.
- Q. If I start my retirement benefits at age 63, is the amount I would get the same as at age 62?**
- A.** No. If you retire at any time between age 62 and your full retirement age, your benefits are reduced for each month before your full retirement age. Likewise, if

you retire after your full retirement age, your benefit goes up incrementally for each month you delay retirement until you reach age 70.

- Q. When should I start planning my retirement?**
- A.** It's never too early to start planning your retirement. Generally, people should apply for retirement benefits no more than 4 months before they want their benefits to begin. Even if you have no plans to receive benefits, you should still sign up for Medicare 3 months before age 65.
- Q. When will I get my Social Security Statement?**
- A.** If you're like most workers who pay social security taxes, are at least 25 years of age and not yet receiving benefits, you automatically receive a *Statement* in the mail each year, about three months before your birthday. The *Statement* is an important tool that can help you *estimate* your future retirement social security benefit. The *Statement* includes a record of your earnings each year, provides estimates of the retirement, disability, and survivors benefits for which you and your family may be eligible.

**When you are ready, you can apply for SSA retirement benefits online at [www.socialsecurity.gov/applyforbenefits](http://www.socialsecurity.gov/applyforbenefits).**

## 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.

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