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- PSERS State of the Fund

and More...

PUBLICATION #9324

Pennsylvania Public School Employees' Retirement System

Active & Retired Member Newsletter

PSERS - Your Sound Investment

Despite the roller coaster ride the stock market has been on these last few months, the value of your pension has not been affected. All PSERS pension benefit payments are guaranteed by the Commonwealth of Pennsylvania. This means that PSERS will always make benefit payments to our members and survivor annuitants, regardless of the ups and downs of the stock market or the value of the total value of the PSERS investment portfolio.

PSERS maintains a well-diversified investment program and as a result of this, we have limited our exposure to the failings of individual financial institutions. For example, PSERS' combined investment in AIG, Lehman, Merrill Lynch, Washington Mutual, and Wachovia represented less than 2% of our total holdings.

Active and vested members do not need to be concerned over the value and safety of their PSERS contributions. Member contributions are secure and by law, have 4% interest applied per year. With a guaranteed 4% interest on contributions, many active members are asking about increasing their PSERS member contribution. Our active members may only contribute to PSERS at the set member contribution rate. You cannot increase or decrease the contributions to your PSERS account.

The amount of member contributions and interest in one's account does not affect the amount of the pension benefit.

PSERS is classified by the Internal Revenue Service (IRS) as a 401(a), defined benefit plan. This means that the value of a member's retirement benefit is determined by a fixed calculation, and not

the value of PSERS investments or a member's contributions. The defined benefit calculation for a Class T-D member under the Maximum Single Life Annuity at "full" retirement (superannuation) is –

Superannuation or "full" retirement status, is reached one of three ways -

- Age 62 with at least one year of credited service
- Age 60 with at least 30 years of credited service
- 35 years of credited service regardless of age

$2.5\% \times \text{Final Average Salary} \times \text{Credited Years of School Service} \div 12 \text{ Months} = \text{Gross Monthly Annuity}$

Since PSERS was established in 1917, we have weathered numerous economic downturns, including the Great Depression in the 1930s, the Savings and Loans scandal in the 1980s, the bursting of the tech stock bubble in the early 2000's, and the downturn from the September 11, 2001, terrorist attacks.

PSERS has remained financially sound. Our funded ratio is currently 85.8 percent, which is a healthy percentage for a mature pension fund.

PSERS investment staff continually analyzes portfolio risk and takes appropriate action when necessary. The PSERS investment portfolio is designed to maximize returns over long-term investment horizons. The market volatility also provides strategic investment opportunities that PSERS will take advantage of for future gains. Overall, PSERS will remain focused on its well-diversified, long-term strategy that will position the fund to benefit when the markets recover.



*2.0% for non-school service and/or Class T-C members

PSERS Board of Trustees Meeting Schedule for 2009

Commonwealth of
Pennsylvania

Public School Employees'
Retirement System
5 North 5th Street
PO Box 125
Harrisburg PA
17108-0125

Website Address:
www.psers.state.pa.us

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

Toll-Free: 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.

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

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

January 23, 2009
March 13, 2009
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 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.

PSERS Holidays for 2009

PSERS and all Commonwealth of Pennsylvania offices will be closed on the following holidays:

January 1	September 7
January 19	October 12
February 16	November 11
May 25	November 26 & 27
July 3	December 25

Weather Related Closings

When inclement weather hits your area, PSERS regional offices will make every attempt to notify our members of either regional office closings and/or meeting cancellations.

We will also make every attempt to post meeting cancellations on the regional office's phone message, on the PSERS website (www.psers.state.pa.us), or on your local radio or television station.

Meet the PSERS Board of Trustees

(at time of publication)

Secretary of Education (ex officio):

Gerald L. Zahorchak, Ph.D.

Treasurer of the Commonwealth of Pennsylvania
(ex-officio):

Robin L. Wiessmann

Executive Director of the Pennsylvania School Boards Association,
Inc. (ex-officio):

Thomas J. Gentzel

Two Members appointed by the Governor for a term of three years:

Hal Moss
Tina Byles Williams

One Member of the Annuitant Group elected from among their
number for a term of three years:

Sally J. Turley

Three Members elected from among the Certified Contributors for a
term of three years:

Glen S. Galante
James M. Sando
Melva S. Vogler

One Member elected from among Non-certified Contributors for a
term of three years:

Patricia A. Tozer

One Member elected by members of Pennsylvania Public School
Boards from among their number for a term of three years:

Richard N. Rose

Two Members of the House of Representatives appointed by the
Speaker of the House, one representing the majority party and one
representing the minority party:

Honorable Dwight Evans
Honorable Steven R. Nickol

Two Members of the Senate appointed by the President Pro
Tempore of the Senate, one representing the majority party and
one representing the minority party:

Honorable Vincent J. Fumo
Honorable Rob Wonderling

Faxing, E-Mails and Your PSERS Account

PSERS will not fax or e-mail member account information even if you sign a release request giving us permission to do so. This applies whether the requested information is to be faxed or e-mailed directly to you or to a third party. PSERS will mail the information to you or a third party's address if designated in the release.

Faxed and e-mailed information containing confidential information can be easily intercepted, possibly leaving you open to identity theft.

The information usually requested by active members is a copy of their *Statement of Account* or current beneficiary information. Retired members usually request copies of the IRS *Form 1099-R* or a benefit summary. Copies of these documents can be printed directly from the secure portion of the PSERS website (www.psers.state.pa.us), Interaction (www.psers.state.pa.us/interaction/default.htm), provided you have established an Interaction account.

Beneficiary information is not available through Interaction.

We do regret if this causes you any inconvenience; however, this one step provides additional security in protecting your personal information.

Federal Withholding Tax & Your Monthly Annuity Payment

As a PSERS retiree, you may change your federal withholding rate at anytime. To change your federal withholding rate, you must complete and sign *IRS Form W-4P*.

When you submit *Form W-4P* to PSERS, the withholding selection on the new form supersedes any previous tax withholding request you made. Please keep this in mind, especially if you are requesting the withholding of an additional dollar amount.

It is not mandatory that PSERS withhold federal tax from your monthly annuity payment. However, electing that “no taxes” be withheld from your monthly payment does not release you from your tax liability. The IRS may require you to make quarterly estimated tax payments to avoid an IRS imposed penalty.

You may obtain the *IRS Form W-4P* by contacting the IRS, through the IRS website at www.irs.gov/pub/irs-pdf/fw4p.pdf, or by contacting PSERS.

Intent to Change & Disability

At the time of retirement, a new retiree is provided with the opportunity to change his or her retirement option and/or contributions and interest withdrawal. To do so, the new retiree must provide a completed *Intent to Change the Terms of the Retirement Plan* (PSRS-1242) form he or she receives along with the “Initial Retirement Benefit” letter. The completed form must be received by the date stated.

If a retiree opts to change from a regular retirement option to a disability retirement and the requested change to a disability retirement is granted, any contributions and interest either received directly by the retiree or rolled over by the retiree, must be returned to PSERS. If these funds are not returned to PSERS within the specified time frame, the disability retirement will revert to the originally selected retirement option.

Additional information pertaining to this process is part of all prospective member’s PSERS Exit Counseling Session, held by the PSERS Regional Office representatives, as well as outlined in a new retiree’s “Initial Retirement Benefit” letter package.

Disability Earned Income Limitation

In early January, PSERS mails an *Annual Earnings Statement* to retirees under the age of 62 who are receiving a PSERS disability benefit. These retirees must provide PSERS with their annual earnings information. We suggest that disability retirees complete the statement as soon as possible.

If the disability retiree does not return the completed *Annual Earnings Statement* by April 30, 2009, the monthly disability benefit payment stops until we receive the information. If the form is not returned, the disability retiree forfeits all rights to the disability portion of the retirement benefit (from the date of the last income verification statement submitted to PSERS). This

means that he or she is entitled to receive only a regular (normal or early) retirement benefit (annuity). The retiree forfeits the disability portion of the annuity.

The statement must be submitted for all years during which you are receiving disability payments from PSERS. For example, you filed an *Application for Disability Retirement* (PSRS-49) on May 5, 2008. On May 28, 2008, PSERS’ Medical Examiners approved an annual disability retirement benefit retroactive to June 15, 2006, (your last day of work). You are required to complete *Annual Earnings Statements* for 2006, 2007, and 2008.

Disability Benefit Eligibility

The PSERS disability retirement benefit is an actual retirement benefit. Our disability benefit is not an insurance policy that supplements your salary while you are unable to work.

A member who is granted a disability retirement benefit by PSERS will receive a monthly retirement benefit payment for as long as the member is deemed disabled.

Disability retirement benefits may be granted on a long- or short-term basis and may be reviewed at any time. Benefits are subject to approval, denial, or renewal based on your medical information.

To be eligible, you must:

- Have at least five years of credited service.
- Be mentally or physically incapable of continuing to perform the duties of your job.
- Apply for a disability benefit within **two school years** from the day you last earned service credit and had contributions withheld. You are not required by PSERS to resign your position to apply for a disability

benefit. Your employer, however, may require resignation.

- Not be receiving any other retirement benefit from PSERS.

To apply for a PSERS disability retirement benefit, contact your PSERS regional representative for counseling and assistance with completing the PSERS Disability Packet.

If you should apply for a disability retirement benefit and the PSERS medical examiners deny your request, then the Executive Staff Review Committee automatically reviews it. If your request continues to be denied you:

- May request an administrative hearing before an independent hearing examiner.
- May request a refund of your remaining accumulated deductions (your contributions to PSERS plus interest).
- May vest your account and later apply for a retirement benefit if you have terminated employment.
- May apply for a normal or early retirement if you were eligible for these benefits when you left school service.

Disability Retirement Option Terms

The terms of a retirement option (see page 6) do not necessarily apply to a disability retirement benefit. When you receive a disability retirement, your survivor annuitant's monthly benefit may differ from a survivor annuitant's paid under a regular retirement. Your disability retirement benefit may have a payment supplement applied. This supplement is not payable to your survivor and may affect his or her gross monthly benefit.

Active & Vested Member Address & Name Changes

It is important to make sure that your address and/or name is always up to date with PSERS. Throughout the year, PSERS not only mails our newsletters, but other important and timely information, such as account statements for active and vested members.

If you are an active member, report all address or name changes to your employer. Your employer will update their records and report the change(s) to PSERS.

If you are a member who terminated all Pennsylvania public school employment, your address change should be submitted to PSERS in writing. Be sure to include your signature, the last four digits of your social security number, and the effective date of the change in the letter.

Understanding the Different Retirement Options

Maximum Earnings Subject to Contributions

IRS Section 401(a)(17) of the Internal Revenue Code limits the amount of compensation that is subject to retirement contributions for active employees entering PSERS membership on or after July 1, 1996. For employees who became PSERS' members before July 1, 1996, there is no maximum earning level.

The calendar year reportable compensation limit for 2009 is \$245,000. This represents an increase from the 2008 limit of \$230,000.

Employers have been notified of this increase. If you earn \$245,000 or more during the 2009 calendar year and believe your employer is not withholding the correct amount of PSERS member contributions, please contact your employer.

Whether you are planning on retiring in the future, or you are already receiving a retirement benefit from PSERS, knowing the terms of the retirement options is beneficial to you and your loved ones when planning for your future. The following is a brief description of each retirement option and the death benefit it provides.

Maximum Single Life Annuity

The maximum single life annuity provides the highest monthly benefit amount for your lifetime. If at the time of your death you have not received an amount equal to your contributions and interest, the balance will be paid to your beneficiary.

Option 1

Under this option, your monthly benefit is reduced. The reduction is based on your age at the time of retirement. A value, called the Total Value, is placed on your account at the time of your retirement. If at the time of your death you have not received an amount equal to the Total Value of your account, the balance will be paid to your beneficiary.

Option 2

Under this option, your monthly benefit is reduced. This reduction is based on your gender and age and the gender and age of your designated survivor annuitant. You may name only one survivor annuitant. At the time of your death, your designated survivor annuitant will receive for his or her lifetime, the same monthly benefit that was being paid to you.

Option 3

Under this option, your monthly benefit is reduced. This reduction is based on your gender and age and the gender and age of your designated survivor annuitant. You may name only one survivor annuitant. At the time of your death, your designated survivor annuitant will receive a lifetime monthly benefit for one-half of the amount that you had been receiving.

Customized Option

This option can be used if none of the other retirement options fits your needs. It allows you to customize your benefit. For example, you may elect a specific percentage for a survivor annuitant different from those provided in Option 2 or Option 3. The death benefit is designed at the time of your retirement and must be approved by PSERS' actuaries.

At the time of your death, if you had elected to receive a retirement benefit under Option 2, 3, or Customized, your survivor annuitant receives the appropriate percentage of your gross monthly benefit based on the option you selected at retirement.

PSERS pays this monthly retirement benefit to you for life. Disability retirement benefits, however, may be subject to renewal. Please contact your PSERS regional representative for more information about disability retirement options.

PSERS Monthly Benefit Payment Dates

PSERS pays monthly retirement benefits on the last working day of the month for which they are due. For example, PSERS will pay your January 2009 retirement benefit on January 31. PSERS' group health insurance premiums, however, are payable in advance. For example, the January 31, 2009, payment is for your February 2009 medical deduction.

Benefit for Month of:	In 2009 Paid on:	Medical Deduction for Month of:
January	January 30	February
February	February 27	March
March	March 31	April
April	April 30	May
May	May 29	June
June	June 30	July
July	July 31	August
August	August 31	September
September	September 30	October
October	October 30	November
November	November 30	December
December	December 31	January 2010

If you do not receive your check by the 10th of the following month, please write or call PSERS. We will need to know the month of the missing check, your social security number, and your home telephone number with area code. For payments lost in the mail, PSERS will issue a replacement check to you in approximately three weeks. You may want to consider the electronic transfer of your monthly benefit payment to avoid delays in receiving your benefit. An *Authorization for Direct Deposit-Electronic Transfer of Monthly Benefit* (PSRS-116) must be completed to initiate the electronic transfer of your monthly benefit.

PSERS must receive a change of address prior to the end of the previous month in order for the change to be effective for the following month's payment. Direct deposit/electronic transfer changes may take up to 8 weeks for the change to take effect. Therefore, if you are changing your electronic transfer from one bank or account to another, we recommend that you do not close your old account prior to receipt of your monthly benefit payment into your new account.

Retirees: Please Note!
Address and electronic transfer changes may take 8 weeks to process.

Retired Member Address & Name Changes

Retired members of PSERS should submit any name or address changes to PSERS in writing.

Be sure to include your signature and last four digits of your 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, 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.

Foundations for Your Future (FFYF) Program Schedule

As a part of its educational outreach, PSERS provides *Foundations for Your Future* seminars for active members. PSERS regional representatives present these seminars throughout the school year to provide all active members with general information about PSERS' benefits and services. Attendance at a *Foundations for Your Future* seminar will help you begin to plan for your retirement early in your career. These programs review PSERS related topics such as: benefit options, withdrawal of contributions, rollovers, taxes, employment after retirement, legislative actions affecting PSERS, and health insurance.

Listed below are meetings scheduled from late January 2009 through April 2009 (not inclusive, more dates may be added in some areas). Meetings prior to the end of January are listed on the PSERS website at www.psers.state.pa.us/regional/FFYF_Schedule_Overview.htm. If you need directions to any of the meeting sites, please contact your regional office, the PSERS Member Service Center at 1-888-773-7748, or access the PSERS website at www.psers.state.pa.us/regional/FFYF_Schedule_Overview.htm. If there is a demand for additional seminars during the year, PSERS may add seminars and post them to the PSERS website. PSERS employers in the area will receive seminar notices as well.

As this printed schedule is subject to change due to weather or other unforeseen conditions, we highly suggest that prior to leaving for a meeting, you verify the dates and times listed through the schedule posted on the PSERS website.

Please Note: Advance registration is not required to attend any of these programs. If you require an accommodation to participate, please contact your PSERS regional office.

Northwest Region, Toll-Free 1-888-773-7748, extension 5175				
Counties Served: Beaver, Butler, Clarion, Clearfield (DuBois Area School District only), Crawford, Erie, Forest, Jefferson, Lawrence, Mercer, Venango, & Warren				
County	City	Location & Address	Date	Time
Butler	Butler	Butler Area SD Intermediate School, 120 Campus Dr.	March 10, 2009	4:30 PM
Jefferson	Brookville	Calvary Church, 110 Evans St.	April 7, 2009	4:30 PM
Clarion	Clarion	Riverview IU, 270 Mayfield Rd.	February 12, 2009	4:30 PM
Clearfield	Dubois	Dubois Area Middle School Auditorium, 404 Liberty Blvd.	February 24, 2009	4:30 PM
Erie	Edinboro	Northwest Tri-County IU, 252 Waterford St.	March 17, 2009	4:30 PM
Venango	Franklin	Rocky Grove Jr/Sr High School Auditorium, 403 Rocky Grove Ave.	March 5, 2009	4:30 PM
New Castle	Lawrence	Lawrence County Career Tech Center, 750 Phelps Way	March 30, 2009	4:30 PM
Mercer	Mercer	Mercer Jr/Sr High School Auditorium, West Butler St.	February 25, 2009	4:30 PM
Crawford	Saegertown	Penncrest SD, Saegertown High School Auditorium, Mook Rd.	April 2, 2009	4:30 PM
Warren	Warren	Warren Area High School Auditorium, 345 E 5th Ave.	March 3, 2009	4:30 PM
Centraleast Region, Toll-Free 1-888-773-7748, extension 5475				
Counties Served: Berks, Carbon, Chester, & Lehigh				
County	City	Location & Address	Date	Time
Lehigh	Allentown	Days Inn & Conference Center, 1151 Bulldog Dr.	January 22, 2009 March 17, 2009	4:30 PM 4:30 PM
Carbon	Jim Thorpe	Jim Thorpe Area High School, 1100 Center St.	March 3, 2009	4:30 PM
Berks	Reading	Reading-Muhlenberg Career & Technology Center, Warren Rd.	February 19, 2009	4:30 PM
Chester	West Chester	J. R. Fugett Middle School – Auditorium, 500 Ellis Ln.	March 5, 2009	4:30 PM

Foundations for Your Future (FFYF) Program Schedule (continued)

Southwest Region, Toll-Free 1-888-773-7748, extension 5775 Counties Served: Allegheny, Fayette, Greene, & Washington				
County	City	Location & Address	Date	Time
Washington	Charleroi	Mon Valley Career and Technology Center, Classrooms 1 and 2, 1 Guttman Blvd.	February 5, 2009 April 9, 2009	4:30 PM 4:30 PM
Allegheny	Pittsburgh	Pittsburgh Federation of Teachers Building, 10 South 19th St.-at the river	January 21, 2009 February 25, 2009 March 11, 2009 April 8, 2009	4:30 PM 4:30 PM 4:30 PM 4:30 PM
Washington	Washington	Trinity Middle School Auditorium, 50 Scenic Dr.	March 10, 2009	4:30 PM
Greene	Waynesburg	Waynesburg Central High School, Auditorium, 30 Zimmerman Dr.	January 21, 2009	4:30 PM
Allegheny	West Mifflin	Community College of Allegheny County, South Campus, Multi Purpose Room (Room A-306), 1750 Clairton Rd.	February 3, 2009	4:30 PM
Southeast Region, Toll-Free 1-888-773-7748, extension 5575 Counties Served: Bucks, Delaware, Montgomery, & Philadelphia				
County	City	Location & Address	Date	Time
Bucks	Bensalem	Bensalem High School, North Wing Audion, 4319 Hulmeville Rd.	March 10, 2009	4:30 PM
Bucks	Jamison	Middle Bucks Institute of Technology, 2740 Old York Rd.	March 31, 2009	4:30 PM
Montgomery	Kulpsville	Best Western Inn at Towamencin, 1750 Sumneytown Pike	March 5, 2009	4:30 PM
Delaware	Morton	Delaware County Intermediate Unit, Education Service Center, Rooms 171 & 172, 200 Yale Ave.	March 11, 2009 April 1, 2009	4:30 PM 4:30 PM
Philadelphia	Philadelphia	Philadelphia School District Education Center, Auditorium, 440 North Broad St.	March 12, 2009	4:30 PM
Philadelphia	Philadelphia	Ramada Philadelphia Northeast, 11580 Roosevelt Blvd.	March 26, 2009	4:30 PM
Montgomery	Pottstown	Pottstown Senior High, North Washington St.	April 2, 2009	4:30 PM
Bucks	Quakertown	Quakertown Area High School, 600 Park Ave.	March 17, 2009	4:30 PM
Southcentral Region, Toll-Free 1-888-773-7748, extension 5675 Counties Served: Adams, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, & York				
County	City	Location & Address	Date	Time
Franklin	Chambersburg	Chambersburg Area Middle School, Auditorium, 1151 East McKinley St.	March 25, 2009	4:30 PM
Adams	Gettysburg	Gettysburg Middle School, Large Group Room, 37 Lefever St.	March 4, 2009	4:30 PM
Dauphin	Hummelstown	Lower Dauphin Middle School, Auditorium, 251 Quarry Rd.	April 2, 2009	4:30 PM
Lancaster	Lancaster	Lancaster-Lebanon IU, 1020 New Holland Ave.	April 15, 2009	4:30 PM
Mifflin	Lewistown	Lewistown Area High School, Auditorium, 2 Manor Dr.	April 23, 2009	4:30 PM
Lancaster	Lititz	Warwick Middle School, Auditorium, 401 W Maple St.	March 12, 2009	4:30 PM
Dauphin	Lykens	Upper Dauphin Middle School Auditorium, 5668 State Route 209	March 24, 2009	4:30 PM
Cumberland	Summerdale	Central Penn Conference Center, College Hill & Valley Rd.	March 11, 2009	4:30 PM

Foundations for Your Future (FFYF) Program Schedule (continued)

Northeast Region, Toll-Free 1-888-773-7748, extension 5375 Counties Served: Lackawanna, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, & Wyoming				
County	City	Location & Address	Date	Time
Lackawanna	Archbald	Valley View Jr-Sr High School Auditorium, 1 Columbus Dr.	February 10, 2009 April 16, 2009	4:30 PM 4:30 PM
Monroe	E. Stroudsburg	Elks Lodge #319, 260 Washington St.	March 17, 2009	4:30 PM
Northampton	Easton	The Eastonian Banquet & Convention Center, Holiday Inn Express, 90 Kunkle Dr.	January 22, 2009 March 18, 2009	4:30 PM 4:30 PM
Luzerne	Nanticoke	Luzerne County Community College, Educational Conference Center, Auditorium 132, 1333 South Prospect St.	March 10, 2009	4:30 PM
Susquehanna	Montrose	American Legion Gardner-Warner Post 154, RR 4, Elk Lake Rd.	February 4, 2009	4:30 PM
Northcentral Region, Toll-Free 1-888-773-7748, extension 5275 Counties Served: Bradford, Cameron, Centre, Clearfield (all districts except DuBois Area), Clinton, Columbia, Elk, Lycoming, McKean, Montour, Northumberland, Potter, Schuylkill, Snyder, Sullivan, Tioga, & Union				
County	City	Location & Address	Date	Time
Schuylkill	Mar Lin	Schuylkill IU, Technology Center, South Campus, 15 Maple Ave., Pottsville- Minersville Hwy.	April 7, 2009	4:30 PM
Northumberland	Montandon	Central Susquehanna IU, Main Building, Lawton Ln.	March 17, 2009	4:30 PM
Union	New Berlin	SUN Area Career & Technology Center, Large Group Instructional Room, 21st. Century Dr.	February 3, 2009	4:30 PM
Bradford	Towanda	Towanda Area High School Large Group Instruction Room, 1 High School Dr.	March 5, 2009	4:30 PM
McKean	Smethport	Smethport Area Junior/Senior High School Auditorium, 412 S. Mechanic St.	April 14, 2009	4:30 PM
Centre	State College	State College Area High School South, Auditorium, 650 Westerly Pkwy.	February 12, 2009	4:30 PM
Clearfield	West Decatur	Central IU, Clinton Room, 345 Link Rd.	March 26, 2009	4:30 PM
Lycoming	Williamsport	Holiday Inn Williamsport, 100 Pine St.	February 17, 2009	4:30 PM
Centralwest Region, Toll-Free 1-888-773-7748, extension 5875 Counties Served: Armstrong, Bedford, Blair, Cambria, Indiana, Somerset, & Westmoreland				
County	City	Location & Address	Date	Time
Blair	Altoona	Ramada Inn-Altoona, Plank Road exit	March 4, 2009	4:30 PM
Bedford	Bedford	Arena Restaurant, RR 220	February 9, 2009	4:30 PM
Cambria	Ebensburg	Comfort Inn, 111 Cook Rd. near RT 22 and 219	January 22, 2009	4:30 PM
Westmoreland	Greensburg	Mountain View Inn, Route 30 East from Greensburg	March 12, 2009	4:30 PM
Armstrong	Kittanning	Belmont Complex, 415 Butler Rd.	March 2, 2009	4:30 PM
Somerset	Somerset	Quality Inn, 215 Ramada Rd.	March 16, 2009	4:30 PM

The *PSERS Update* 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.

Activated Military Service

If you are an active contributing member of PSERS and are placed on activated duty on or after July 1, 1990, you can choose either to continue making your retirement contributions or not to do so during your military leave. If you choose to continue making PSERS contributions, it will be based on your full contracted salary and payments must be made directly to your public school employer. You will receive PSERS service credit for that period.

If you choose not to make contributions during your military leave, upon return to public school service, PSERS will send you a bill (*Statement of Amount Due*) for the military leave time.

You can purchase this service credit via lump-sum payment,

payroll deductions made through your employer, or permanent reduction at retirement. No applications are necessary.

No interest will be charged to you for up to three times the length of your leave or five years from the date of the original billing, whichever is less.

You may choose not to purchase your service time by notifying PSERS within 90 days of receiving the *Statement of Amount Due*. Purchasing service credit, however, can help you reach eligibility earlier for vesting and disability or regular retirement benefits, as well as increasing your monthly benefit when you do retire. This additional service also increases your death benefit.



Photo Courtesy of U.S. Army -Photograph by Sgt. Jason Dangel

Additional Purchase of Service Information

As with any purchase of service credit request, you must apply while an active contributing member of PSERS. Retirees, vested members who have terminated all Pennsylvania public school employment, and Pennsylvania public school part-time employees who have not reached employment qualifications (500 hours or 80 days) are ineligible to apply to purchase service credit.

Purchasing Service Credit

Active contributing members of PSERS and active State Employees' Retirement System (SERS) who were granted Multiple Service membership may be eligible to purchase service credit. Listed below are the types of service that you may be eligible to purchase:

- ◆ Return of refunds
- ◆ Former uncredited full-time service
- ◆ Former uncredited part-time service
- ◆ Former uncredited non-qualifying part-time service
- ◆ Special sick leave
- ◆ Approved leave of absence
- ◆ Out-of-state school service
- ◆ Service with a County Board of School Directors
- ◆ County nurse service
- ◆ Cadet nurse service
- ◆ U.S. Government service
- ◆ Military service
- ◆ Maternity leave (occurring before November 1, 1978)

You may not purchase service credit to gain credit unless you are eligible based on employment, qualifying leave, or military service you rendered. You cannot purchase service credit for service not rendered.

For more details on the requirements to purchase service credit and the applications to apply, contact PSERS or view the information on the PSERS website at www.psers.state.pa.us/publications/pamphlets/credit.htm.

A COLA at What Cost?

PSERS receives numerous inquiries each month regarding cost-of-living adjustments (COLAs) for retirees. These questions come from current retirees as well as future retirees.

In the Commonwealth of Pennsylvania, COLAs are provided by enactment of individual

legislative proposals. The Pennsylvania General Assembly has the sole authority to initiate and pass legislation that would grant a COLA. The current process does not allow for the issuance of COLAs on an automatic or annual basis.

Before passing a piece of legislation which would grant PSERS retirees a COLA, the legislature must take into consideration two key funding items:

- The financial impact the COLA would have on PSERS.
- How the COLA would be funded.

When the legislature grants a COLA, an unfunded liability is created for PSERS. This liability, which is similar to a mortgage, must be paid. Current law requires COLA costs to be financed over 10 years, which results in an increased employer (state and local school district) contribution rate to make the payments on the debt. Any

contribution rate increase is eventually passed on to the taxpayer in the form of an increase in school property taxes and/or state taxes.

...The current process does not allow for the issuance of COLAs on an automatic or annual basis...

Because of the passage of Act 9 of 2001's higher retirement benefit multiplier, followed by a downturn in the stock market, and

Act 40's changes to PSERS funding methodology, the employer contribution rate is already expected to significantly rise in 2012-13. Legislators have to take into account the ramifications of enacting a COLA that would result in an increase of employer and

...Legislators have to take into account the ramifications of enacting a COLA that would result in an increase of employer and taxpayer costs...

taxpayer costs, knowing that there will most likely be a significant increase to the employer contribution rate in 2012-2013. The current projection for the 2012-2013 employer contribution rate is 16.4%. With the current downturn in the stock market, that rate may climb to over 20%. The enactment of a COLA would likely push the employer contribution rate for 2012-2013 even higher.

The complexities and uncertainties of proposals to

eliminate the employer contribution rate spike make their legislation acceptance uncertain, particularly since current shortfalls in the current State Budget.

While Governor Rendell has implemented many cost saving measures, including a hiring freeze in an attempt to save money, the amount these actions save does not begin to cover the cost created by granting a COLA to Pennsylvania's public retirement system retirees.

The legislature has a responsibility to ensure the retirement systems are financially solvent and able to

fund the current retirement benefits. Additionally, the Governor's Budget Office has been working on plans to soften or eliminate the 2012-2013 employer contribution rate spike. And while a COLA may not be

likely in the near future because of these priorities, PSERS retirees *do* have the benefit of being part of a defined benefit plan that guarantees benefit payments not only in the short-term, but in the long-term, as well.

...PSERS retirees *do* have the benefit of being part of a defined benefit plan that guarantees benefit payments...

Stretching Your Income

Whether you are a retiree on a fixed income or currently working, the economy has all of us wondering, "What's next? How can I make ends meet?" There are already many federal, state, and local programs in place to aid those with a low income, as well as new ideas to explore on how to save money or make your money work for you. Here are a few ideas:

Home Heating Assistance

The Low Income Home Energy Assistance Program (LIHEAP) is a federal program that distributes funds to states to help low-income households pay winter heating bills as well as summer cooling bills. Additional state energy assistance and fuel fund programs may be available to help households during a winter emergency. To find out if you qualify for assistance where you live, this website, www.liheap.org/assistance.html, may help you locate a source or contact your local heating oil dealer.

If you live in Pennsylvania and need assistance, you may also call the Department of Public Welfare's toll-free LIHEAP contact number, 1-866-857-7095 for more information, or online at www.dpw.state.pa.us/ServicesPrograms/LIHEAP.

There are also non-federal dollars available from local fuel funds. These non-governmental funds usually raise funds from contributions from your neighbors when they pay their utility bills.

Incorporated in 1987, the National Fuel Funds Network (NFFN) provides a list of local funds on their website at www.nationalfuelunds.org. NFFN is an organization who
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helps build member programs to raise and distribute approximately \$100 million annually for utility assistance programs. Its 300 members include non-profit, government, and utility companies in the US, Canada, and the United Kingdom.

Nutrition Assistance

The Federal government's Supplemental Nutrition Assistance Program (SNAP) program provides subsidized food and nutritional assistance to low income households. SNAP, a program of the US Department of Agriculture (USDA), is the largest domestic nutrition assistance program, providing a supplement to the food budgets of more than 28 million low-income individuals each month.

For more information on the Supplemental Nutrition Assistance Program visit www.fns.usda.gov/snap. To see if you are eligible for SNAP assistance, you can go through their online pre-screening at www.snap-step1.usda.gov/fns, or in Pennsylvania, contact the Department of Public Welfare's toll-free number, 1-800-692-7462, and ask about food subsidy assistance.

Medical Assistance

If you have an illness and cannot cover the additional expense for special medications or treatments not covered by insurance, your illness may qualify you for a free clinical trial.

Clinical trials are studies usually financed by a pharmaceutical company or medical research grant in which patients are assigned an

experimental treatment. The outcomes are then measured. Many trials are completely free, not only covering the cost of the medication, but the doctor visits, as well.

The US National Institutes of Health maintains a website that lists close to 65,000 clinical trials being conducted throughout the world. The site even provides a list of studies on rare diseases where treatments may not yet be covered by insurance plans or the drugs to treat the disease may be experimental, and therefore, not covered under a prescription plan. The registry is available online at www.ClinicalTrials.gov.

Financial Calculators

Online sources such as www.WalletPop.com, or www.kiplinger.com feature calculators for auto loans, budgeting, credit cards, mortgages, life insurance, paychecks, savings, plus more.

Calculators such as these can help you make informed decisions on where, how, and when you spend your hard earned



income or retirement benefit. Some of these calculators can help you budget payments to assist you in getting out of debt or not building additional debt.

The websites listed are both government and privately held sites. PSERS is not endorsing any particular site. We are just providing examples of resources available to you to assist with your personal finances.

Public School Employees' Retirement System as of June 30, 2008

A summary of the state of the PSERS fund as of June 30, 2008, 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, 2008*, which can be viewed on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Net Assets Held in Trust

PSERS is the 14th largest public pension fund in the nation and the 21st largest among public and corporate pension funds in the nation. The fund's net assets decreased \$4.8 billion from the end of the prior fiscal year, June 30, 2007. This decrease is primarily attributable to net investment loss, payment of pension benefits, and administrative expenses combined that exceeded member and employer contributions.

	<i>At Fair Value</i>
\$ Total Assets of the Fund (receivables, investments, fixed assets, etc.)	\$ 71.0
\$ Total Liabilities of the Fund (payables, obligations under securities lending, etc.)	- \$ 8.3
\$ Total Plan Net Assets	\$ 62.7

Investments

As of June 30, 2008, total investments, which comprise the majority of PSERS' overall net assets held in trust, by asset class were as follows:

	<i>At Fair Value</i>
\$ Short-Term Investments	\$ 7.0
\$ Fixed Income Investments	\$ 15.2
\$ Common and Preferred Stock Investments	\$ 27.9
\$ Real Estate Investments	\$ 4.9
\$ Alternative Investments	\$ 8.9
\$ Total Net Investments as of June 30, 2008	\$ 63.9

Contributions

During the 2007-2008 school year, the employer contribution rate was 7.13 percent of the employer's payroll. For the 2008-2009 school year, the rate decreased to 4.76 percent. 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 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer one-half of the payment for employees hired on or before June 30, 1994. School entities are reimbursed by the Commonwealth based on a statutory formula for employees hired after June 30, 1994. Non-school entities and the Commonwealth each contributed one-half the total employer rate (3.565 percent) for school year 2007-2008.

Employee & Employer Rate History

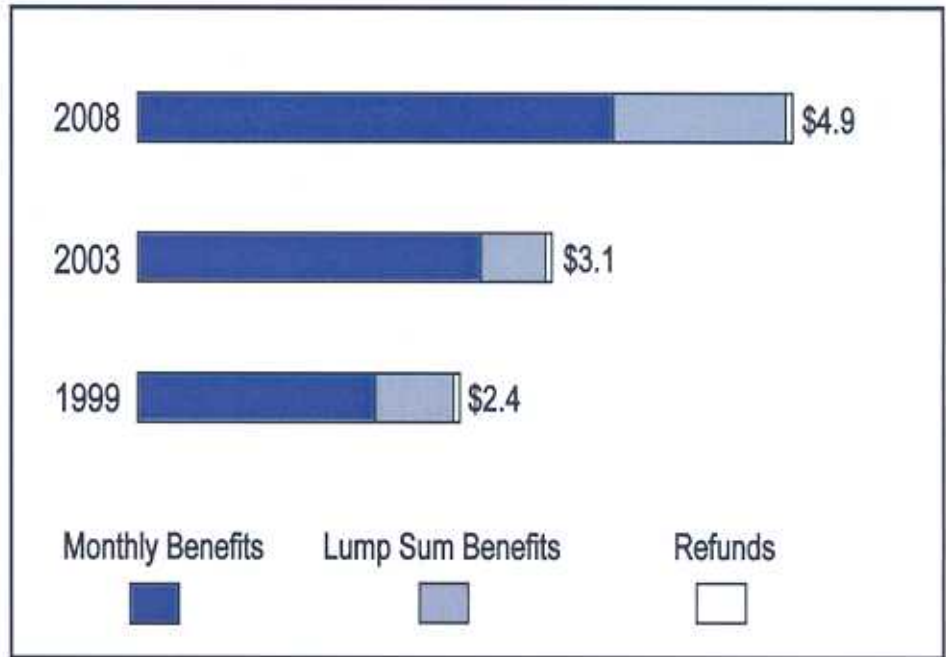
<i>Fiscal Year Ended June 30</i>	<i>Employee Contribution Rate</i>	<i>Employer Contribution Rate</i>	<i>Cumulative Yearly Salaries Paid to School Employees</i>
2008	6.50%/7.50% or 5.25%/6.25%	7.13%	\$11.9 Billion (estimated)
2007	6.50%/7.50% or 5.25%/6.25%	6.46%	\$11.7 Billion
2006	6.50%/7.50% or 5.25%/6.25%	4.69%	\$11.4 Billion
2005	6.50%/7.50% or 5.25%/6.25%	4.23%	\$10.8 Billion
2004	6.50%/7.50% or 5.25%/6.25%	3.37%	\$10.5 Billion
2003	6.50%/7.50% or 5.25%/6.25%	1.15%	\$10.2 Billion
2002*	6.50%/7.50% or 5.25%/6.25%	1.09%	\$9.8 Billion
2001	5.25%/6.25%	1.94%	\$9.4 Billion

* The employee contribution rate increased 1.25% due to the provisions of Act 9 of 2001, which created a new membership class (Class T-D) covering the majority of PSERS members effective January 1, 2002.

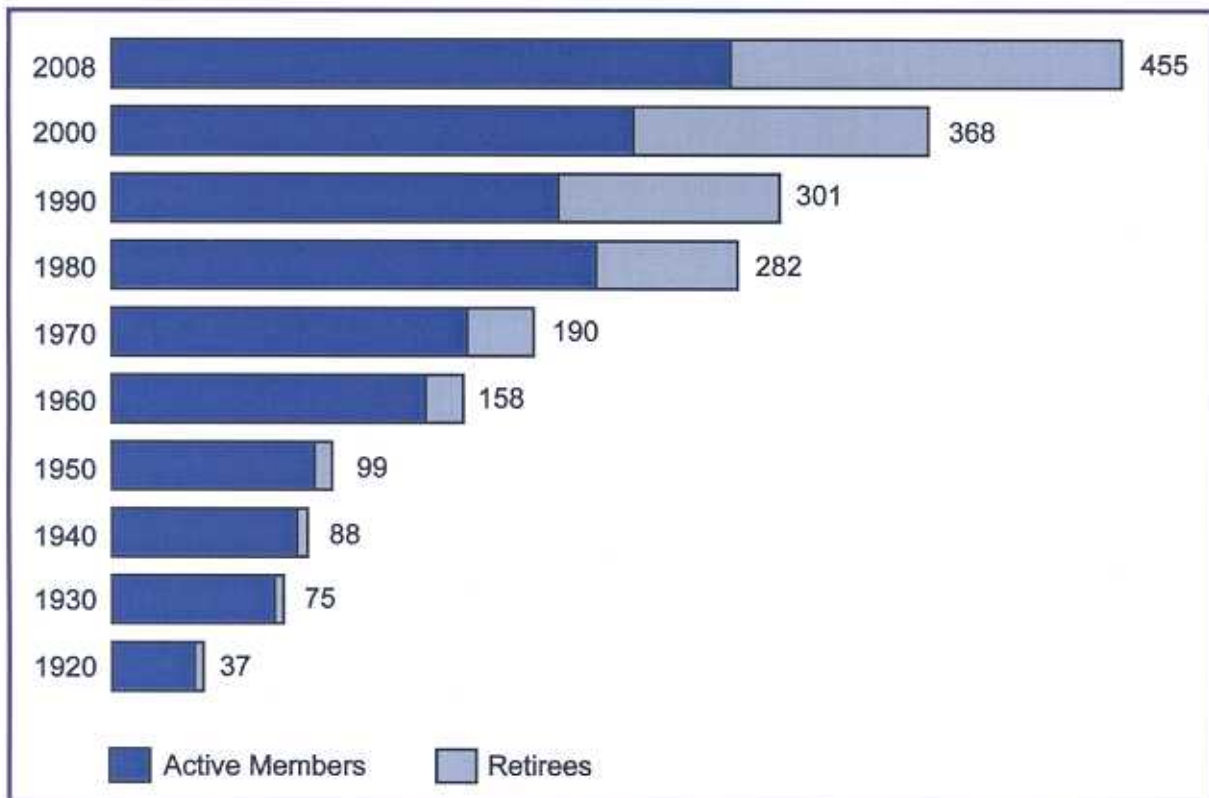
Benefit Payments (Amounts in Billions)

Highlights on Payment of Benefits:

1. PSERS paid \$4.9 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, 2008.
2. The current PSERS monthly retirement payroll exceeds \$300 million.



Total Membership - Active & Retired (In Thousands)

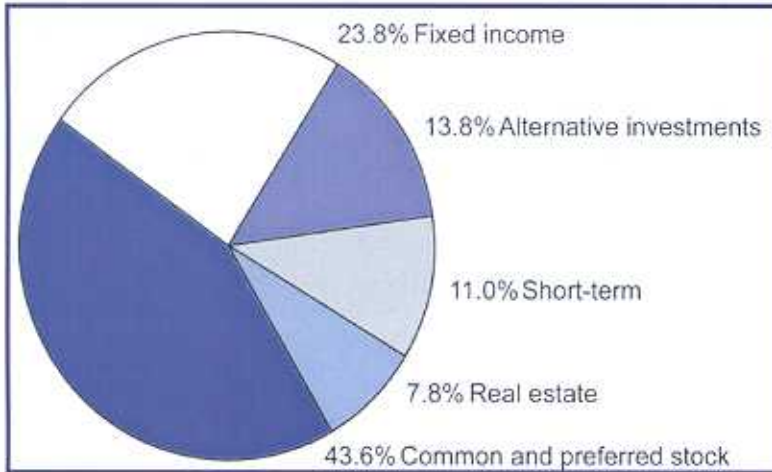


Highlights on Membership Statistics:

This bar chart is based upon actuarial valuation statistics through June 30, 2008. PSERS' newest member population totals show the number of retired members now to be approximately 176,000 and the active contributing membership to be approximately 279,000.

From 1999 to 2008, the retired membership has increased by about 32.5 percent and the active membership has increased by about 24.8 percent.

Investment Portfolio Distribution At June 30, 2008 (Fair Value)



Highlights on Investments:

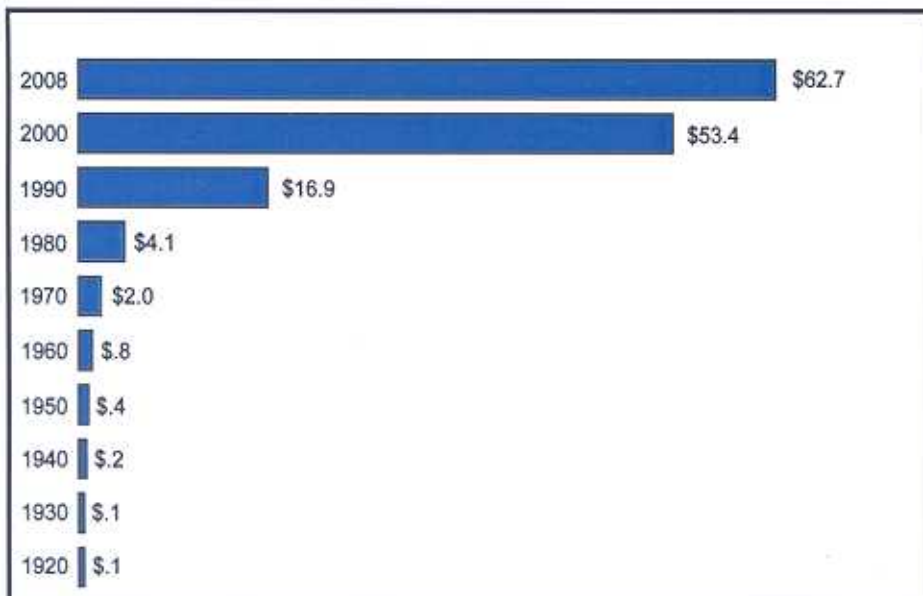
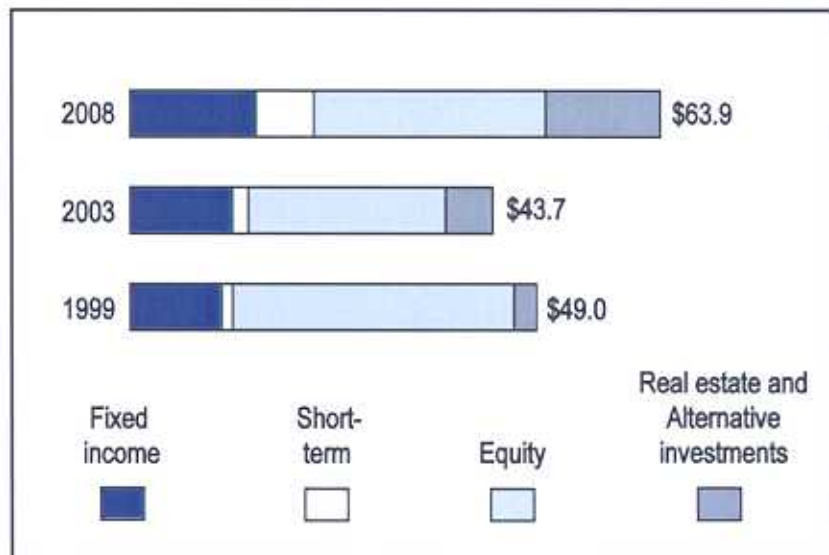
The five largest individual domestic common and preferred stocks in PSERS' domestic portfolios (in millions) at June 30, 2008 were:

	<i>Fair Value (\$)</i>
Exxon Mobil Corporation	269.6
Security Capital Preferred Growth	197.1
General Electric Company	135.4
Chevron Corporation	129.2
Microsoft Corporation	113.1

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

Highlights on Investments:

1. In 1999, PSERS' investments at fair value were \$49 billion compared to 2008's \$63.9 billion.
2. PSERS' fixed income investments were 24 and 23 percent of the fair value of PSERS' total investments in both 2008 and 1999.
3. PSERS' investments in real estate and alternative investments have increased from five percent of the fair value of PSERS' total investments in 1999 to 22 percent in 2008.



Net Assets Available for Benefits (Amounts in Billions)

PSERS is the 14th largest public pension fund in the nation and the 21st largest among public and corporate pension funds in the nation.

**Comparison of Total Accrued Liabilities to System Assets For Valuation Years
2007, 2003, and 1999 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) Funded (Unfunded) Accrued Liability**	(B) / (A) Percent Covered***
2007	\$66.6	\$57.2	\$ 9.4	85.8%
2003	\$54.4	\$52.9	\$(1.5)	97.2%
1999	\$37.5	\$44.6	\$ 7.1	119.0%

* **Accrued Liabilities** - Generally shows 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.

*** **Percent Covered** - Shows the percent of accrued liabilities covered by system assets at actuarial value.

**Condensed Statement
of Plan Net Assets as of June 30, 2008**

ASSETS

(In Millions)

Receivables	
Contributions due from members and employers	\$ 551
Investment receivables & other miscellaneous receivables	1,707
Total Receivables	\$ 2,258
Investments (at fair value)	\$63,892
Securities lending collateral pool	4,847
Fixed Assets	1
TOTAL ASSETS	<u>\$70,998</u>

LIABILITIES

Benefits and other accounts payable	587
Investment purchases & other liabilities	2,905
Obligations under securities lending	<u>4,847</u>
TOTAL LIABILITIES	<u>\$ 8,339</u>

NET ASSETS

Held In Trust For Pension and Postemployment Healthcare Benefits End of Year, June 30, 2008	<u>\$62,659</u>
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**Condensed Statement of Changes
in Plan Net Assets as of
June 30, 2008**

NET ASSETS - Held in Trust for Pension and Post-employment Healthcare Benefits Beginning of Year, July 1, 2007	(In Millions)	\$67,523(A)
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ADDITIONS DURING THE YEAR

Contributions from Members & Employers	1,902
Net Investment Income (loss)	<u>(1,775)</u>
TOTAL ADDITIONS	\$ 127(B)

DEDUCTIONS DURING THE YEAR

Benefits and Refunds Paid to Members	4,942
Administrative Expenses	<u>49</u>
TOTAL DEDUCTIONS	\$4,991(C)

NET CHANGE IN ASSETS - Held in Trust for Pension and Postemployment Healthcare Benefits (B) - (C)	<u>\$(4,864)(D)</u>
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NET ASSETS - Held in Trust for Pension and Post-employment Healthcare Benefits End of Year, June 30, 2008 (A) + (D)	<u>\$62,659</u>
--	------------------------

Detailed information regarding the financial statements of the System is available in the PSERS' *Comprehensive Annual Financial Report (CAFR)* for fiscal year ending June 30, 2008. The financial statements in the CAFR 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 the PSERS website, www.psers.state.pa.us, or call 1-888-773-7748 for a copy.

Public Employee Pension Forfeiture Act

The Public Employee Pension Forfeiture Act (Act 1978-140) provides that PSERS members who are convicted and sentenced or pled guilty or no contest in a court of law for any crimes listed in the Pension Forfeiture Act are subject to forfeiture of their PSERS pension benefit.

Act 2004-86 amended Act 1978-140 to add certain sexual crimes committed by a school employee against a student as a forfeitable offense. These crimes are rape, statutory sexual assault, involuntary deviate sexual intercourse, sexual assault, aggravated indecent assault, indecent assault, and indecent exposure.

The Pension Forfeiture Act also applies to certain other crimes related to public school employment, such as theft by deception, theft of services, forgery, theft by failure to make required disposition of funds received, bribery in official matters, perjury, unsworn falsification to authorities, false reports to law enforcement authorities, tampering with public records or information, and intimidation of witnesses or victims, among other offenses.

This article is intended to give a general overview of the Pension Forfeiture Act. If there is a conflict between what is stated in this article and the Pension Forfeiture Act, the terms of the Pension Forfeiture Act, the Retirement Code, PSERS' administrative interpretations and court decisions will govern the payment of benefits.

Workers' Compensation Information

Workers' Compensation is a benefit program, usually provided through insurance, to compensate employees who are injured in the performance of their job duties.

There are two possible situations for a school employee to receive Workers' Compensation benefits and PSERS retirement benefits at the same time. The first involves an employee who is receiving Workers' Compensation and subsequently retires. The second situation involves an employee who is receiving Workers' Compensation but **does not** retire.

1. In order for the first situation to occur (choosing to retire while receiving Workers' Compensation), the employee must meet one of the PSERS' requirements listed below:

For regular retirement benefits, the employee must meet one of these requirements:

- Have at least five years of credited service at any age.
- Have at least one year of service and be age 62 or older.

The employee must also terminate school employment.

For disability retirement benefits, the employee must:

- Have at least five years of credited service regardless of age.
- Be physically or mentally unable to perform the duties of the school employment for which hired.
- Must apply for PSERS disability benefits within two school years of the last day paid by the school employer.

PSERS does NOT require a termination of employment if the employee applies for disability benefits; however, some school employers may require termination.

Employers have the right to reduce the Workers' Compensation benefits based on the portion of the retirement benefits that was funded by the employer. In no event will PSERS retirement benefits be affected.

2. The second situation is when a school employer grants a Special Sick Leave and the



employee is willing to delay the start of retirement benefits. Then, the employee may earn retirement service credit up to one year while receiving Workers'

Compensation benefits. The granting of the Special Sick Leave status is optional and at the employer's discretion.

To receive service credit for the period of the Special Sick Leave, the employee must receive at least one-half regular salary through Workers' Compensation. If the employer grants the Special Sick Leave, then the employer must decide

(continued on page 19)

Workers' Compensation & Retirement Benefits (cont.)

if retirement contributions to PSERS should continue during the period of the leave.

Continuing Contributions to PSERS

If the employer chooses to continue contributing to PSERS during the Special Sick Leave, then **both** the employee and the employer must be willing to contribute based on the employee's full contract salary had he/she remained in school employment during this one year of leave.

The employer will remit the employee and the employer shares of contributions to PSERS.

Discontinuing Contributions to PSERS

If the employer chooses to

discontinue contributing retirement contributions to PSERS during the period of the Special Sick Leave, then the employee, upon a subsequent qualifying return to public school employment, may apply to purchase credit for the period of the leave.

The employer will be billed for the appropriate employer contributions if/when the purchase is made. If the employee does not or cannot return to school service, he/she will never be able to obtain credit for the period of the Special Sick Leave.

NOTE: While being reported on a contributing or noncontributing Special Sick Leave, an employee may not apply for or receive PSERS retirement benefits.

May I Borrow Money from My PSERS Account?

The *Pennsylvania Retirement Code* (Act 96 of 1975) not only establishes the rules for PSERS to manage your retirement account, but 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.

As an active member of PSERS, we cannot allow you to receive the contributions and interest from your account without terminating employment with your public school employer(s).

When you are a PSERS retiree, 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 your PSERS benefit is protected well into your future.

Attention Retirees... Mailing of 1099-R Forms

PSERS mails IRS *Form 1099-R* to retired and refunded members at the end of January. If you do not receive your *Form 1099-R* by February 10, 2009, contact PSERS for a duplicate copy. If you have an online PSERS **Interaction** account, you may print a copy through the **Interaction** portion of the PSERS website, www.psers.state.pa.us.

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. PSERS only withholds federal taxes and cannot withhold other state and municipal taxes. You need to pay your taxes directly to your taxing authority.

You can change your federal tax withholding at any time. Just complete an IRS *Form W-4P* and send it to PSERS. The *Form W-4P* is available by contacting the IRS, through the IRS website at www.irs.ustreas.gov/pub/irs-pdf/fw4p.pdf, or by contacting PSERS.

Public School Employees' Retirement System
5 North 5th Street
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Harrisburg PA 17108-0125

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