

- **From the Desk of the Executive Director**
- **Keep Your Payments Coming**
- **The PSERS Disability Retirement**
- **PSERS State of the Fund**

and More...

PUBLICATION #9325

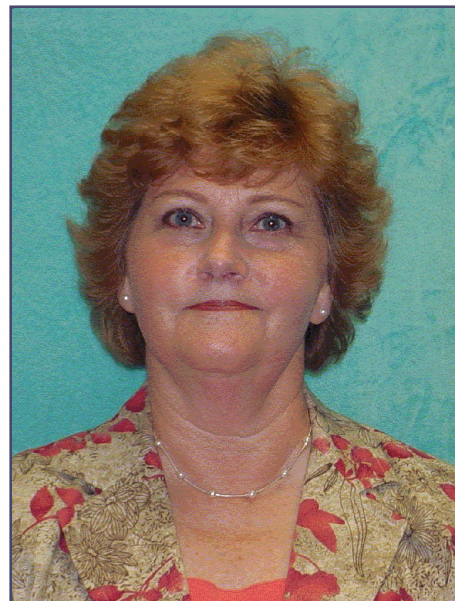
PSERS Board Member Elected

Ms. Patricia Tozer has been re-elected for a three-year term to the Board of Trustees of the Public School Employees' Retirement System (PSERS). Ms. Tozer represents the non-certified contributors of the System. Non-certified contributors are members of PSERS who are in job positions that do not require certification by the Pennsylvania Department of Education.

Ms. Tozer has served on the PSERS Board of Trustees since 2006 and has served as the chair of the Appeals/Member Services Committee. In addition, Ms. Tozer has served as a member of the Board's Elections Committee and the Health Care Committee.

She has been a Guidance Secretary in the Pennsbury School District for twenty-seven years. Ms. Tozer has

served on the National Education Association's (NEA) Board of Directors, the Pennsylvania State Education Association's (PSEA) Board of Directors and the PSEA Health and Welfare Fund. She also has work experience in the life insurance industry.



Patricia Tozer

Ms. Tozer is married with three grown children and two grandchildren. She enjoys reading and gardening. She has been involved with her school district in various capacities, such as PTO, re-districting, strategic planning, and professional development.

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

PSERS Board of Trustees Meeting Schedule for 2010

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
Phone Hours - 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 22, 2010
March 12, 2010
April 30, 2010
June 11, 2010
August 12, 2010
October 8, 2010
December 10, 2010

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 2010

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

January 1	September 6
January 18	October 11
February 15	November 11
May 31	November 25 & 26
July 5	December 24
	December 31

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.

If a meeting is to be held at a school and that specific school has closed or dismissed early because of inclement winter weather, the meeting is cancelled. We will 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):

Robert M. McCord

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 Glen R. Grell

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 Shirley M. Kitchen
Honorable Patrick M. Browne

Northeast Regional Office Move Planned

The PSERS Northeast Regional office, currently located at Market Street Square, 33 S. Wilkes-Barre Boulevard, Wilkes-Barre, Pennsylvania, is moving to a new location in the spring of 2010.

More information will be available in future newsletters and on the PSERS website, www.psers.state.pa.us. Click on Regional Offices for details as they become available.

No matter where within the region the office is located, the Northeast Regional Office can always be reached at their toll-free phone number, 1-888-773-7748, extension 5375.

The Northeast office serves PSERS members who work in Lackawanna, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, and Wyoming Counties.

Federal Withholding Tax & Your Monthly Annuity Payment

As a PSERS retiree, you may change your federal withholding tax rate amount at anytime. To change your federal withholding rate, you must complete and sign Internal Revenue Service (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 file with PSERS a completed *Intent to Change the Terms of the Retirement Plan* (PSRS-1242) form he or she receives along with the 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. The disability retirement will revert to the originally selected retirement option if the funds are not returned to PSERS within the specified time frame.

Additional information pertaining to this process is part of all PSERS Exit Counseling Sessions held by the PSERS Regional Office representatives, as well as outlined in a new retiree’s 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 retirement 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, 2010, 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 (pension). The retiree forfeits the disability portion of the retirement benefit.

The statement must be submitted for all years during which disability payments are received from PSERS. For example, a member files an *Application for Disability Retirement* (PSRS-49) on May 5, 2009. On May 28, 2009, PSERS’ Medical Examiners approved an annual disability retirement benefit retroactive to June 15, 2007, (the retiree’s last day of work). The disability retiree is required to complete *Annual Earnings Statements* for 2007, 2008, and 2009.

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, qualifying 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 member's monthly benefit 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 the survivor's 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 also 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 changes 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 Retirement Options

Whether you are planning on retiring in the future or 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. Otherwise, there is no death benefit for your beneficiary(ies).

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(ies).

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.

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.

Attention Retired Members...Keep Your Payments Coming - Keep Your Address Up to Date!

Not only is it important as a retiree to keep your mailing address up-to-date to receive informational publications and your yearly IRS *Form 1099-R*, but it's also important to keep receiving your monthly benefit payment. This is true whether the payment is mailed to your home address or sent directly to your financial institution.

If your monthly benefit payment is sent electronically to your financial institution and we receive notification from the post office that your mailing address is not valid, **your electronically transferred payment will stop after we receive the notice of your invalid address. PSERS must have your new mailing address for your payments to continue.**

If your monthly benefit payment is mailed directly to your home address and we receive notification of an invalid mailing address, your monthly benefit payment will immediately stop until you inform PSERS of your new address.

For information on how to update your address, see the article on page 7.

2010 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 2010 retirement benefit on January 29. PSERS' group health insurance premiums, however, are payable in advance. For example, the January 29, 2010, payment is for your February 2010 medical deduction.

Benefit for Month of:	In 2010 Paid on:	Medical Deduction for Month of:
January	January 29	February
February	February 26	March
March	March 31	April
April	April 30	May
May	May 28	June
June	June 30	July
July	July 30	August
August	August 31	September
September	September 30	October
October	October 29	November
November	November 30	December
December	December 31	January 2011

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, the last four digits of 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 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, last four digits of your social security number, and the effective date of the change. You can do this by letter or by completing a *Change of Address for PSERS Retirees (PSRS-1301)* form. For your convenience, this form is available on the PSERS website at www.psers.state.pa.us/forms/f1301.pdf. You can also request the form be mailed to you by calling PSERS or by email (ra-ps-contact@state.pa.us).

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

If your monthly payment is mailed to your home address, please be sure to notify PSERS of your address change at least 8 weeks prior to moving. 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 March 2010 through May 2010 (not inclusive, more dates may be added in some areas). Meetings prior to the end of February 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.

Southwest Region, Toll-Free 1-888-773-7748, extension 5775				
Counties Served: Allegheny, Fayette, Greene, & Washington				
County	City	Location & Address	Date	Time
Allegheny	Green Tree	Ramada Inn and Conference Center, Ambassador Ballroom, 401 Holiday Dr.	April 14, 2010	4:30 p.m.
Allegheny	Homestead	Allegheny IU, McGuffey and Sullivan Rooms, 475 East Waterfront Dr.	March 10, 2010	4:30 p.m.
Washington	Charleroi	Mon Valley Career and Technology Center, Classrooms 1 and 2, 1 Guttman Blvd.	April 8, 2010	4:30 p.m.
Washington	Washington	Trinity Middle School, Auditorium, 50 Scenic Dr.	March 3, 2010	4:30 p.m.
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 8, 2010	4:30 p.m.
Bucks	Quakertown	Quakertown Area High School, 600 Park Ave.	April 8, 2010	4:30 p.m.
Delaware	Morton	Delaware County IU, Education Service Center, Rooms 171 & 172, 200 Yale Ave.	March 17, 2010 April 6, 2010	4:30 p.m. 4:30 p.m.
Montgomery	Fort Washington	Holiday Inn Philadelphia North, 432 Penn Ave.	March 9, 2010	4:30 p.m.
Montgomery	Kulpsville	Best Western Inn at Towamencin, 1750 Sumneytown Pk.	March 18, 2010	4:30 p.m.
Montgomery	Pottstown	Pottstown Senior High, N. Washington St.	March 25, 2010	4:30 p.m.
Philadelphia	Philadelphia	Philadelphia Ramada Northeast, 11580 Roosevelt Blvd.	March 11, 2010	4:30 p.m.
Philadelphia	Philadelphia	Philadelphia SD Education Center, Auditorium, 440 N. Broad St.	March 15, 2010	4:30 p.m.

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

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
Cumberland	Summerdale	Central Penn Conference Center, College Hill & Valley Rd.	March 24, 2010	4:30 p.m.
Dauphin	Hummelstown	Lower Dauphin Middle School, Auditorium, 251 Quarry Rd.	April 14, 2010	4:30 p.m.
Huntingdon	Enriken	Lake Raystown Resort & Conference Center, 3101 Chipmunk Crossing	April 19, 2010	4:30 p.m.
Lancaster	Lancaster	Lancaster-Lebanon IU, 1020 New Holland Ave.	April 20, 2010	4:30 p.m.
York	York	York Suburban High School, Auditorium, 1800 Hollywood Dr.	April 14, 2010	4:30 p.m.
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
Beaver	Monaca	Community College of Beaver County, Library Resource Center, 103 Conference Room, 1 Campus Dr.	March 2, 2010	4:30 p.m.
Butler	Butler	Bulter Area SD Intermediate School, 120 Campus Ln.	March 9, 2010	4:30 p.m.
Crawford	Saegertown	Penncrest SD Saegertown High School, Auditorium, Mook Rd.	April 8, 2010	4:30 p.m.
Erie	Edinboro	Northwest Tri-County IU, 252 Waterford St.	March 16, 2010	4:30 p.m.
Jefferson	Brookville	Calvary Church, 110 Evans. St.	April 6, 2010	4:30 p.m.
Lawrence	New Castle	Lawrence Co. Career Tech Center, 750 Phelps Way	March 29, 2010	4:30 p.m.
Venango	Franklin	Rocky Grove Jr/Sr High School, Auditorium, 403 Rocky Grove Ave.	March 4, 2010	4:30 p.m.
Centraleast Region, Toll-Free 1-888-773-7748, extension 5475 Counties Served: Berks, Carbon, Chester, & Lehigh				
County	City	Location & Address	Date	Time
Carbon	Jim Thorpe	Jim Thorpe Area High School, 1100 Center St.	April 13, 2010	4:30 p.m.
Chester	Kennett Square	Hilton Garden Inn, 815 E. Baltimore Pk.	March 17, 2010	4:30 p.m.
Chester	West Chester	J. R. Fugett Middle School, Auditorium, 500 Ellis Ln.	April 14, 2010	4:30 p.m.
Lehigh	Allentown	Rodeway Inn & Conference Center, 1151 Bulldog Dr.	April 7, 2010	4:30 p.m.
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.	April 15, 2010	4:30 p.m.
Luzerne	Nanticoke	Luzerne County Community College, Educational Conference Center, Auditorium 132, 1333 S. Prospect St.	March 9, 2010 May 6, 2010	4:30 p.m. 4:30 p.m.

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

Northeast Region, Toll-Free 1-888-773-7748, extension 5375 (continued)				
County	City	Location & Address	Date	Time
Monroe	Stroudsburg	Quality Inn, Ballroom, 1220 W. Main St.	April 14, 2010	4:30 p.m.
Northampton	Easton	The Eastonian Banquet and Convention Center at the Holiday Inn Express, 90 Kunkle Dr.	April 8, 2010	4:30 p.m.
Susquehanna	Montrose	American Legion Gardner-Warner Post 154, RR 4, Elk Lake Rd.	March 17, 2010	4:30 p.m.
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
Armstrong	Ford City	Lenape Heights Country Club 950 Golf Course Rd.	March 4, 2010	4:30 p.m.
Blair	Altoona	Ramada Inn-Altoona, Plank Road exit	March 31, 2010	4:30 p.m.
Somerset	Somerset	Quality Inn, 215 Ramada Rd.	March 8, 2010	4:30 p.m.
Westmoreland	Youngwood	Westmoreland County Community College, Commissioners Hall, 145 Pavilion Ln.	March 1, 2010	4:30 p.m.
Northcentral Region, Toll-Free 1-888-773-7748, extension 5275				
Counties Served: Bradford, Cameron, Centre, Clearfield (eastern region), Clinton, Columbia, Elk, Lycoming, McKean, Montour, Northumberland, Potter, Schuylkill, Snyder, Sullivan, Tioga, and Union				
County	City	Location & Address	Date	Time
Centre	State College	State College Area High School South, Auditorium, 650 Westerly Pkwy.	March 25, 2010	4:30 p.m.
Columbia	Berwick	Berwick Area Senior High School, Auditorium, 1100 Fowler Ave.	March 10, 2010	4:30 p.m.
McKean	Smethport	Seneca Highlands IU 9, Large Conference Room, 119 Mechanic St.	March 2, 2010	4:30 p.m.
Northumberland	Montandon	Central Susquehanna IU, Main Building, Lawton Ln.	March 29, 2010	4:30 p.m.
Schuylkill	Mar Lin	Schuylkill IU 29, Schuylkill Technology Centers, South Campus, 15 Maple Ave., Pottsville- Minersville Hwy.	April 12, 2010	4:30 p.m.
Tioga	Wellsboro	Wellsboro High School, Auditorium, 225 Nichols St.	April 5, 2010	4:30 p.m.

PSERS Fund Description

PSERS is a defined benefit plan under Section 401 (a) of the Internal Revenue Code.

This means that PSERS bases your retirement benefit on your years of service credit and your final average salary. The amount of your contributions and interest accrued on those contributions does not determine the amount of your monthly benefit.

Tax Notes for PSERS Retirees

If you are a resident of Pennsylvania and you receive a retirement benefit from PSERS, please keep in mind when filing your Pennsylvania state and local taxes that your PSERS payment *is not* subject to Pennsylvania state and local taxes.

Your federal withholding amount may have changed slightly with your January 2010 benefit payment. This change occurred due to a change in the Internal Revenue Service (IRS) tax tables. This did not affect all PSERS retirees. No written notices were mailed, so those with an electronic transfer of their benefit should check their bank statement for the new net payment amount.

Time Limits for Changing Rollover Designations

Did you retire and elect to roll your contributions and interest into another plan? Are you expecting to have additional contributions and interest rolled from either the finalization of your retirement benefit and/or additional installments? If so, this article may pertain to you.

If you are a retiree awaiting the finalization of your retirement benefit and plan to roll over any additional contributions and/or interest that might be due to you, make certain that PSERS has the correct financial institution to send the rollover money. If you have changed your financial institution from the originally designated one submitted with your *Application for Retirement* (PSRS-8), you need to inform PSERS of this change and complete a new *Authorization for Direct Rollover* (PSRS-1264) as soon as possible. We must receive it prior to your receipt of our notification that your additional rollover payment is about to be mailed.

Once the benefit finalization is in its final processing stages, PSERS will not redirect the rollover. The payment will be rolled as originally directed;

and it will be up to you to make arrangements with the company receiving the payment to roll it into another institution.

Should the direct rollover payment be rejected (account closed, never opened, etc.) and returned to PSERS, we will redeposit the payment. The

payment will then be reissued as a lump sum paid directly to you, with PSERS withholding the mandatory 20% in Federal Withholding Tax.

An exception to this is for subsequent installment rollover payments. These are monies that you asked PSERS to roll

over to your financial institution at a later date. PSERS will contact you approximately 60 days prior to the scheduled issue date and will verify the original rollover information you submitted. We will make revisions as directed by you for established subsequent rollovers as long as the issue date has not been assigned. We are unable to revise the original terms (quantity or dollar amount) of subsequent rollovers as had been originally selected on your retirement application.



Community Service & Senior Companion Program

The Corporation for National and Community Service has Pennsylvania ranked as 29th in the nation for the number of residents who volunteer (27.9% with 2.7 million volunteers) and 29th based on the number of hours volunteered per resident (35.2 hours).

There are many rewarding volunteer positions available for those with the time and desire to help. One such program in the Senior Companion Program. This volunteer program matches senior adults with other seniors who are in need of support by offering companionship to isolated seniors, assist with simple daily tasks, and provide transportation.

The Senior Corps, a program of the Corporation for National and Community Service, reports that those seniors who volunteer receive pre-service and monthly training sessions, reimbursement for transportation, some meals while in service, an annual physical, and accident and liability insurance while on duty. Income eligible senior companions also receive a small, tax-free stipend to offset the cost of volunteering.

Senior volunteers must be at least age 55 and able to serve between 15 and 40 hours a week. These programs are available throughout the United States. If you have the time and desire to help your fellow seniors, contact the National Senior Service Corporation through their website at www.seniorcorps.gov or call their toll-free phone number, 1-800-424-8867.

Note: If the financial institution for your **monthly** benefit has changed, please submit a new *Authorization for Direct Deposit – Electronic Transfer of Monthly Benefit* (PSRS-116).

From the Desk of the Executive Director

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

On December 11, 2009, the Public School Employees' Retirement System (PSERS) Board of Trustees met in Harrisburg and reviewed a presentation of PSERS' actuarial valuation by the System's actuaries, Buck Consultants. Every December PSERS' actuaries present the actuarial valuation to the Board, reviewing investment and actuarial experience for the previous fiscal year ended June 30. The Board also certifies the employer contribution rate for the next fiscal year.

During the meeting an employer contribution rate of 8.22 percent was set for Fiscal Year 2010/2011, which begins July 1, 2010. The 8.22 percent employer contribution rate is composed of 0.64 percent for health insurance premium assistance and a pension rate of 7.58 percent.

The employer contribution rate is an actuarially determined rate that is the percentage of payroll the school employers are required to pay into the pension fund to accumulate assets to pay retirement benefits for its members when due. The Commonwealth reimburses the school employers for not less than 50 percent of the employer contribution rate.

The pension fund is also funded through investment earnings and mandatory member contributions. Members of the pension fund currently

contribute an average of 7.34 percent of their salary annually to help fund their retirement benefits. Member contributions of \$992 million are expected in Fiscal Year 2009/2010.

While member contributions to the System have continued at their respective levels mandated by statute, the employer contribution rate has been suppressed for the last eight years by legislation. This legislation was enacted to provide cash flow relief from the previous recession earlier this decade. The effects of the legislation will cease in Fiscal Year 2012/2013 and the employer contribution rate is expected to spike in Fiscal Year 2012/2013 and continue to remain at very high levels for many years.

Over the past few years, I have traveled across the Commonwealth meeting with school employers, member groups, and legislators to make sure they are aware of the projected dramatic increase in the employer contribution rate in Fiscal Year 2012/2013. Revised long-term employer contribution rate projections provided by the System's actuaries, Buck Consultants, show an increase in the projected Fiscal Year 2012/2013 rate spike to 29.22 percent.

As a result of these presentations, numerous news articles have been printed on the rising employer contributions to the

System in coming years and more news articles are expected over the next two years as we move closer to the rate spike.

The funding issues facing the

System are very complex. PSERS has created a web page of resources to provide educational materials and official rate projections. School employers, the Legislature, PSERS members, the media, and general public can all use this information to gain a better understanding of the funding issue. A copy of one of my presentations on the funding issue is included on the web page. This presentation may answer many questions about how the funding issue occurred and what potential options may be available to resolve it.

I encourage PSERS' members to visit PSERS' website to learn more about the funding issue. Materials will be updated and added periodically to the web page.

To view the resource page go to:

www.psers.state.pa.us/press/pension_funding_issues/index.html



Jeffrey B. Clay

Basic Requirements to Apply to Purchase Service Credit

You must be an **active contributing** member of the Public School Employees' Retirement System (PSERS) to purchase service credit. If you stop working, are on an unpaid leave, or terminate your employment even if you have not resigned from your position, you cannot apply to purchase service.

Part-time hourly and part-time per diem members must meet the 80-day or 500-hour service membership requirement in the school year in which PSERS receives your application to purchase service credit.

Multiple service members (former members of PSERS who have combined School and State employment) may also apply to purchase service credit through PSERS if the multiple service member is in an active contributing status with the State Employees' Retirement System (SERS).

You may not purchase service credit to add to your service total unless you are eligible based on employment, qualifying leave, or military service. PSERS frequently receives requests from members who at one time had a leave without pay or did not work a full school year and are requesting to purchase service to "round out" their service credit. You cannot purchase service credit for service not actually rendered. You may not receive more than one year of service credit within a school year.

More detailed information on the types of service credit eligible for purchase is available on the PSERS website at www.pfers.state.pa.us/publications/pamphlets/credit.htm or by contacting PSERS.

The Funding of Your Retirement Plan

With all of the recent news pertaining to financial investments, PSERS has received many questions from our members as to how their PSERS account is funded. The financial support of PSERS comes from member contributions, employer contributions, the Commonwealth of Pennsylvania, and earnings from investments.

Employers are classified as Pennsylvania public schools, intermediate units, career technical schools, universities run by the Commonwealth, community colleges, member charter schools, the Commonwealth of Pennsylvania, and any other employer charged with the responsibility of public education within the Commonwealth.

When you're working in a Pennsylvania public school or entity whose employees are members of PSERS, employee contributions are withheld and reported to PSERS through payroll deductions. These deductions are placed in an account in your name where they accumulate a guaranteed interest rate of 4% per year, compounded annually.

Employer contributions, which include the Commonwealth share, are paid to PSERS on a quarterly basis. The amount due is based on the total PSERS-member salaries reported by the employer during that quarter. PSERS provides to each employer an *Employer Statement of Account* each month so the employer can see the amount due for each quarter as that quarter progresses and after it has ended. Employers are given a date at which time the employer contribution must be submitted to PSERS. Late payments may be charged interest. PSERS also has the authority to attach Commonwealth subsidies for employers who would become delinquent.

Each year an actuary, who is a financial consultant dealing in long-term funding analysis, reviews the financial conditions of the fund to decide the level of employer contributions required to meet the long-term benefit obligations. This rate is then set for the following school year by the PSERS Board of Trustees at its December Board meeting. For more details, be sure to read the Executive Director's message on page 12.

Public School Employees' Retirement System as of June 30, 2009

A summary of the state of the PSERS fund as of June 30, 2009, 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, 2009*, 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 12th largest state-sponsored public defined benefit pension fund in the nation and the 21st largest among public and corporate pension funds in the nation. The fund's net assets decreased \$19.5 billion from the end of the prior fiscal year, June 30, 2008. 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.)	\$ 46.3
\$ Total Liabilities of the Fund (payables, obligations under securities lending, etc.)	<u>- \$ 3.1</u>
\$ Total Plan Net Assets	\$ 43.2

Investments

As of June 30, 2009, 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	\$ 5.4
\$ Fixed Income Investments	\$ 11.3
\$ Common and Preferred Stock Investments	\$ 13.9
\$ Real Estate Investments	\$ 3.7
\$ Alternative Investments	<u>\$ 9.0</u>
\$ Total Net Investments as of June 30, 2009	\$ 43.3

Contributions

During the 2008-2009 school year, the employer contribution rate was 4.76 percent of the employer's payroll. For the 2009-2010 school year, the rate increased to 4.78 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 (2.38 percent) for school year 2008-2009.

Employee & Employer Rate History

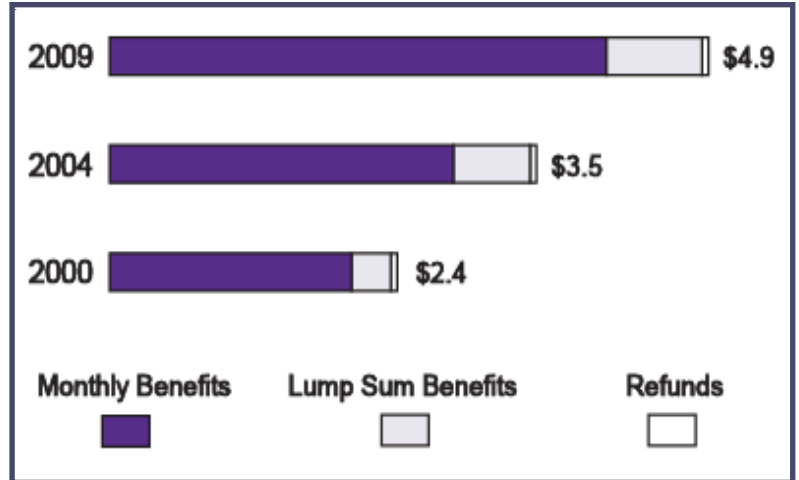
<i>Fiscal Year Ended June 30</i>	<i>Employee Contribution Rate</i>	<i>Employer Contribution Rate</i>	<i>Cumulative Yearly Salaries Paid to School Employees</i>
2009	6.50%/7.50% or 5.25%/6.25%	4.76%	\$12.4 Billion (estimated)
2008	6.50%/7.50% or 5.25%/6.25%	7.13%	\$11.9 Billion
2007	6.50%/7.50% or 5.25%/6.25%	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%	3.77%	\$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

* Amounts reflected in billions

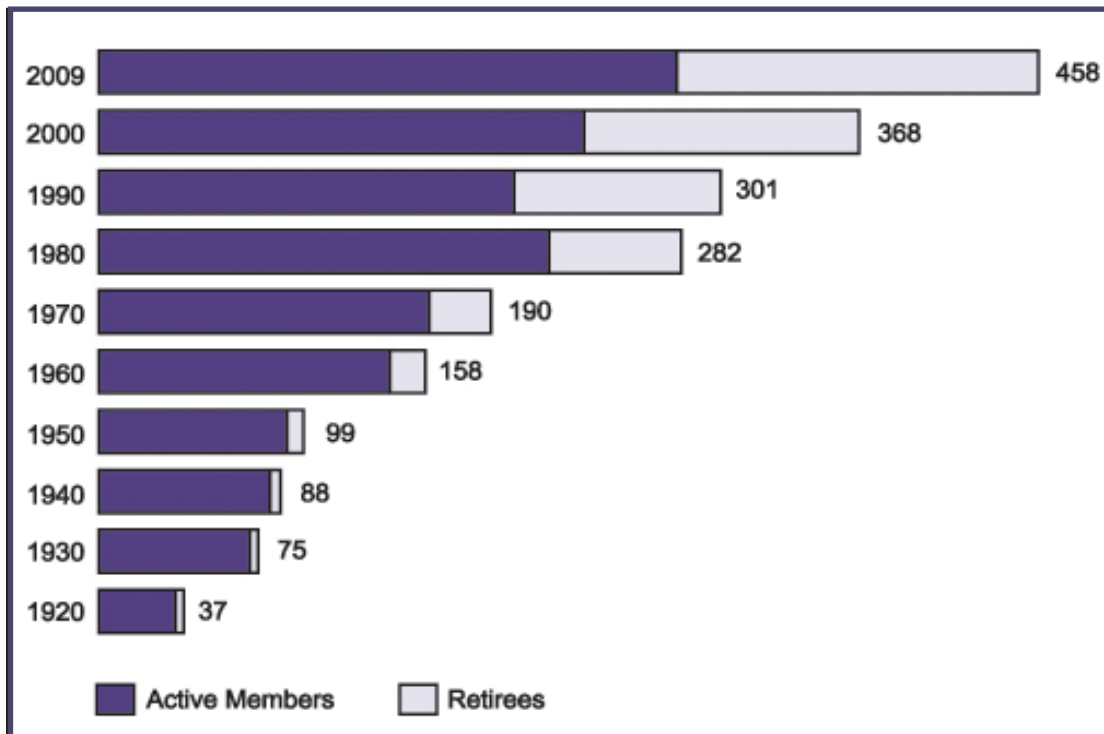
Benefit Payments (Amounts in Billions)

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, 2009.
2. The current PSERS monthly retirement payroll exceeds \$300 million.



Total Membership - Active & Retired (In Thousands)

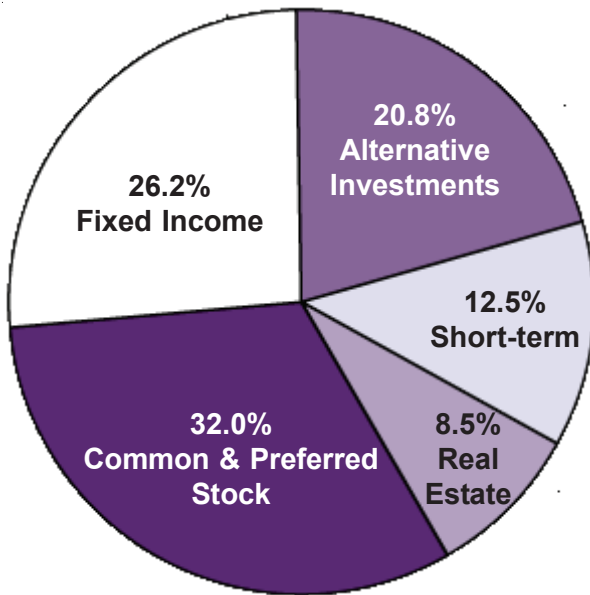


Highlights on Membership Statistics:

This bar chart is based upon actuarial valuation statistics through June 30, 2009. PSERS' newest member population totals show the number of retired members now to be approximately 175,000 and the active contributing membership to be approximately 280,000.

From 2000 to 2009, the retired membership has increased by about 30.4 percent and the active membership has increased by about 19.7 percent.

Investment Portfolio Distribution At June 30, 2009 (Fair Value)



Highlights on Investments:

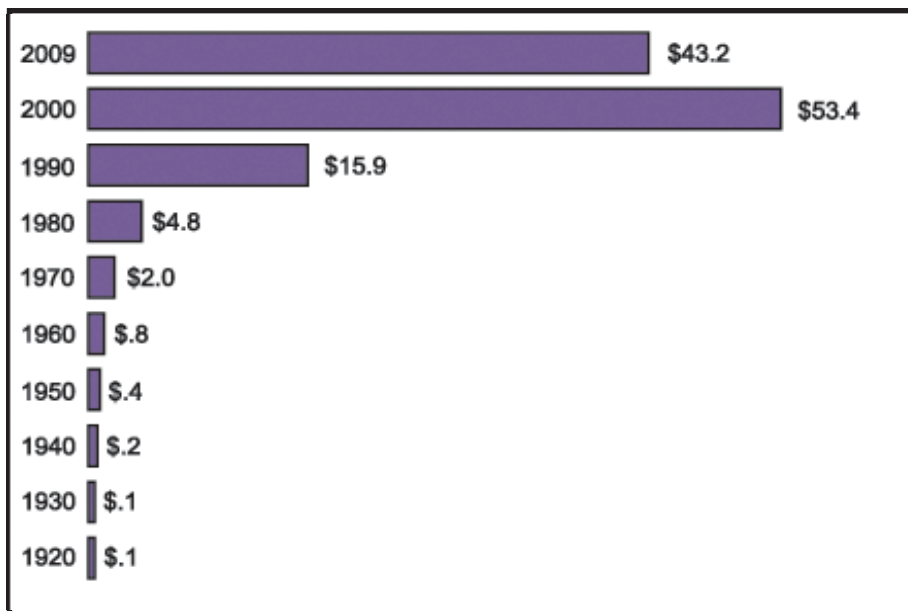
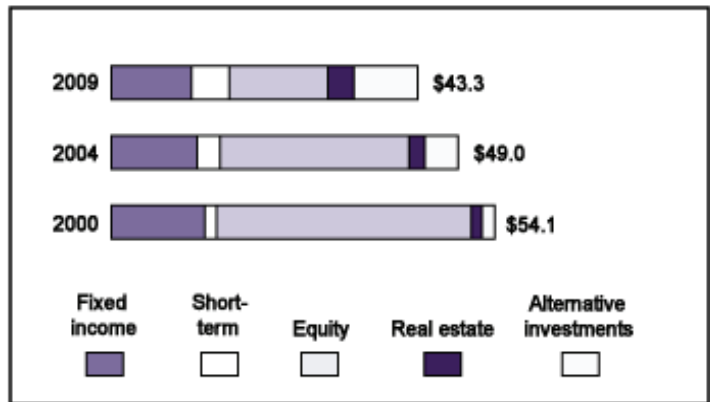
The five largest individual domestic common and preferred stocks in PSERS' domestic portfolios (in millions) as of June 30, 2009 were:

	<i>Fair Value (\$)</i>
Security Capital Preferred Growth	137.4
Exxon Mobil Corporation	93.8
Wyeth	76.2
Chevron Corporation	42.0
Microsoft Corporation	39.6

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

Highlights on Investments:

1. In 2000, PSERS' investments at fair value were \$54.1 billion compared to 2009's \$43.3 billion.
2. PSERS' fixed income investments were 26 and 23 percent of the fair value of PSERS' total investments in 2009 and 2000.
3. PSERS' investment in equities has decreased from 64 percent of the fair value of PSERS' total investments in 2000 to 32 percent in 2009 due to changes in the allocation plan targets.



Net Assets Available for Benefits (*Amounts in Billions*)

PSERS is the 12th largest state-sponsored public defined benefit pension fund in the nation and the 21st largest among public and corporate pension funds in the nation.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Years 2008, 2004, and 2000 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2008	\$70.9	\$61.0	\$(9.9)	86.0%
2004	\$57.1	\$52.1	\$(5.0)	91.2%
2000	\$39.8	\$49.3	\$ 9.5	123.8%

* **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.

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

**Condensed Statement
of Plan Net Assets as of June 30, 2009**

ASSETS (In Millions)

Receivables	
Contributions due from members and employers	\$ 454
Investment receivables & other miscellaneous receivables	901
Total Receivables	\$ 1,355
Investments (at fair value)	\$43,344
Securities lending collateral pool	1,592
TOTAL ASSETS	<u>\$46,291</u>

LIABILITIES

Benefits and other accounts payable	458
Investment purchases & other liabilities	1,034
Obligations under securities lending	<u>1,592</u>
TOTAL LIABILITIES	<u>\$ 3,084</u>

NET ASSETS

Held In Trust For Pension and Postemployment Healthcare Benefits End of Year, June 30, 2009	<u>\$43,207</u>
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**Condensed Statement of Changes
in Plan Net Assets as of
June 30, 2009**

NET ASSETS - Held in Trust for Pension and Post-employment Healthcare Benefits Beginning of Year, July 1, 2008	(In Millions) \$ 62,659(A)
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ADDITIONS DURING THE YEAR

Contributions from Members & Employers	1,730
Net Investment Income (loss)	<u>(16,199)</u>
TOTAL ADDITIONS	\$ (14,469)(B)

DEDUCTIONS DURING THE YEAR

Benefits and Refunds Paid to Members	4,932
Administrative Expenses	<u>51</u>
TOTAL DEDUCTIONS	<u>\$4,983(C)</u>

NET CHANGE IN ASSETS - Held in Trust for Pension and Postemployment Healthcare Benefits (B) - (C)	<u>\$(19,452)(D)</u>
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NET ASSETS - Held in Trust for Pension and Post-employment Healthcare Benefits End of Year, June 30, 2009 (A) + (D)	<u>\$43,207</u>
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Detailed information regarding the financial statements of the System is available in the PSERS' *Comprehensive Annual Financial Report (CAFR)* for fiscal year ended June 30, 2009. 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.

Maximum Earnings Subject to Contributions for 2010

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 2010 is \$245,000. This amount is unchanged from the 2009 limit.

Employers have been notified of this limit. If you earn \$245,000 or more during the 2010 calendar year and believe your employer is not withholding the correct amount of PSERS member contributions, please contact your employer.

Criminal Activity and Forfeiting a PSERS Benefit

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



Pension Forfeiture Act was amended by Act 2004-86, effective September 13, 2004, to add certain sexual crimes committed by a school employee against a student as a forfeitable offense.

In particular, the crimes covered by Subchapter B of Chapter 31 of Title 18 (relating to certain sexual offenses) added by Act 2004-86 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 office or employment (including 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, intimidation of witnesses or victims, among other offenses. Specific offenses covered in Act 140 are listed at 43 P.S. §§ 1311-1315.

With regard to the financial crimes covered in the Pension Forfeiture Act, the Act provides that PSERS may retain a member's contributions and interest for the purpose of partially paying any fine or restitution to the school employer ordered by the court, provided they have not been withdrawn by the member before sentencing.

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

Contemplating Retirement?

Retirement can be an exciting time of transition in your life. Now more than ever, when making an informed decision about leaving active employment, it is vitally important that you avail yourself to the informational and counseling opportunities provided by PSERS.

These informational opportunities exist as in-person PSERS *Foundations for Your Future* seminars, periodic newsletters, informational pamphlets and handbooks, and on the PSERS website, www.psers.state.pa.us. Our toll-free Member Service Center telephone, 888-773-7748, makes available to you dedicated staff who will provide support and answers to questions not addressed by other sources. For those of you who have decided to retire, we have small group counseling appointments to guide you with the completion of the retirement application paperwork. Other entities, such as financial planners, may provide you with other financial information; however, PSERS counseling is essential in regards to your PSERS retirement benefit. PSERS does not endorse any outside entity.

In the current economic environment, individuals, businesses, and government agencies must become more efficient in their approach to handling major life and business decisions. **Many of the decisions made when retiring through PSERS are final and cannot be changed.** It is vital that you learn as much as you can to ensure that the decisions being made are truly the best ones for you.

All of this information is designed to help guide you through this major life transition. Join us in being an active force in forging your retirement 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, 2010, 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.

May I Borrow Money from My PSERS Account?

The *Public School Employees' 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.

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Important Information from the
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