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## Jeffrey B. Clay to Retire on March 6, 2015

On October 7, 2014, I announced my retirement as Executive Director of the Public School Employees' Retirement System (PSERS) effective on March 6, 2015. It has been both a privilege and honor to serve as your Executive Director since October 2003. I particularly enjoyed getting to know some of PSERS' active and retired members on an individual basis either by responding directly to their letters or by picking up the Executive Office main phone line and talking to them directly.



In addition I would like to thank all of the Board Members that I have served with over the years for their support. When I look back at the decision I made in 1990 to leave private legal practice and come to work at the three retirement systems, it was clearly one of the best decisions I ever made. In addition to leading to a challenging and very rewarding career, it also allowed me the opportunity to work with, serve, and learn from a large number of very talented individuals across a very broad knowledge spectrum.

Deciding to retire was not an easy decision for me to make. The main driver for my decision to leave this job that I really enjoy is to spend more time with my family and particularly my wife of 40 plus years. That said, I am confident that I leave behind a dedicated staff who will continue to provide high quality service to PSERS' membership.

PSERS' Board is currently in the process of conducting a national search for my replacement. I have offered my assistance to the Board with the search for, or transition of, my successor. The goal is to have my replacement by the time I leave in March.

With much gratitude,

A handwritten signature in black ink that reads "Jeffrey B. Clay". The signature is written in a cursive, flowing style.

The Public School Employees' Retirement System (PSERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances, and is not a complete statement of the law or administrative rules. The statements in this document are not binding. In any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail. This document is designed solely to provide an overview of benefits available to PSERS members and is not intended to be a substitute for retirement counseling. The contents of this newsletter may not be used for any commercial purpose without PSERS' prior written permission.

## New Power of Attorney Laws

**PSERS**  
**5 N 5th Street**  
**Harrisburg PA**  
**17101-1905**

**Toll-Free**  
**1.888.773.7748**  
**Local Calls**  
**717.787.8540**  
**FAX**  
**717.772.3860**

**Phone Hours**  
**Weekdays**  
**(except holidays):**  
**8:00 a.m. - 5:00 p.m.**

**Website Address:**  
**[www.psers.state.pa.us](http://www.psers.state.pa.us)**  
**Email Address:**  
**[ContactPSERS@pa.gov](mailto:ContactPSERS@pa.gov)**

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

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

On July 2, 2014, Governor Tom Corbett signed Act 95 of 2014 that revamped the law governing Powers of Attorney (POA). Typically, a POA is used when the member (Principal) is incapacitated or no longer able to personally handle his or her financial affairs. A POA allows you to designate a person or persons to act as your agent to handle a broad range of financial and health care matters, including the power to give away or acquire property, the power to authorize medical treatment, or the power to change beneficiary designations of life insurance policies or annuities.

To designate a person or persons to act as your agent with PSERS, you can complete a *PSERS Power of Attorney* (PSRS-248) form. Submitting the PSRS-248 provides specific POA authorization for PSERS transactions only and would usually not be accepted by other organizations for their POA requirements.

You may also submit a POA document other than the PSERS POA form. PSERS attorneys must carefully review the information on the submitted document to ensure it meets all legal requirements and grants the agent the authority to conduct business with PSERS. With a POA document other than the PSERS POA form, you may also be required to submit relationship affidavits to certify the relationship between you and your agent. For this reason, PSERS prefers members to complete the PSERS form PSRS-248 to avoid interpretation disputes regarding the agent's ability to request transactions with PSERS.

Act 95 of 2014 attempts to address abuses that have occurred in the past such as theft or misuse of the principal's funds by imposing restrictions on the execution, validity, interpretation and liability issues associated with a POA. Below is a summary of the significant changes:

- POAs executed after January 1, 2015, must have revised Notices and Acknowledgements. The revised language includes the new requirement that the agent acts only in accordance with the principal's wishes if known and, if not known, in the principal's best interest.
- Powers executed on or after January 1, 2015, must be witnessed by two people and notarized by a notary, who is not one of the two witnesses. Previously, a POA did not need to be witnessed or notarized unless the POA was signed by the principal making an "X" or other mark or by someone at the direction of the principal. Act 95 of 2014 imposes stricter requirements for the execution of POAs to curtail abuse.

**(continued on page 3)**

## New POA Laws... (continued)

- Certain specific powers must now be expressly stated in the POA before the agent can exercise such power. Previously, only the power to make gifts had to be spelled out, but now powers such as (1) the right to change beneficiary designations on retirement plans, annuities, and life insurance policies; (2) the right to disclaim property; and (3) the right to amend or revoke a revocable trust.
- If the POA specifically authorizes the agent to change beneficiary designations, Act 95 of 2014 restricts the agent's ability to name as beneficiary himself/herself, or an individual to whom the agent has an obligation to support, unless the agent is the ancestor, spouse, or descendant of the principal.
- Act 95 of 2014 addresses the extent to which POAs may be relied upon by third parties, like PSERS. Previously, a third party who accepted a POA in good faith without actual knowledge that the POA was invalid was not immune to liability. Now, a third party may (1) ask the principal's attorney to provide an opinion as to whether the agent is acting within the scope of authority granted by the POA, (2) request an English translation of the POA, and (3) ask the agent to certify under penalty of perjury any factual matter regarding the principal, the agent, or the POA.

You may find it necessary to designate another person as your agent to handle matters with PSERS to change your address, change or start electronic transfer, change your federal tax withholding status, change or stop your medical insurance coverage, change beneficiary designations, etc. Before filing a POA with PSERS, it is advisable that you discuss the matter with your family, friends, or an attorney.

## Disability Earned Income Limitation

In early January, PSERS mails an *Annual Earnings Statement* to disability retirees until they reach normal retirement age. These retirees must provide PSERS with their annual earnings information. We highly suggest that the statement be completed and returned to PSERS as soon as possible.

If the completed *Annual Earnings Statement* is not returned by April 30, 2015, the monthly disability benefit payment stops until we receive the information. Those who have been recently approved for a disability retirement may also receive an *Annual Earnings Statement* requesting information for the year immediately prior to your approval for disability. If the form is not returned, the disability retiree forfeits all rights to the disability retirement.

## PSERS Board of Trustees Meeting Schedule

**January 23, 2015**

**March 13, 2015**

**April 30, 2015**

PSERS Board meetings are held in Harrisburg at PSERS, located at 5 N 5th Street. In addition to these Board meetings, Committee meetings are held 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 Book, PSERS Executive Office at 1.888.773.7748, extension 4617.

## 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, or on your local radio or television station.

**Interaction is PSERS' on-line web application. You can sign up to use Interaction at any time. Go to the PSERS website and click on the Online Applications button. Once you establish your online account, your user name and password information is separately mailed to your home address.**

## Statements of Amount Due for Newly Qualifying Part-Time Members

If you are hired exclusively as a part-time employee, you must initially meet certain qualifications to become a member of PSERS. Part-time hourly employees must work at least 500 hours in a school year to become eligible for membership. Part-Time Per Diem employees must work at least 80 days to become eligible for membership.

Once you qualify for membership, deductions become mandatory and you retain your membership until there is a break in membership. PSERS will send you a Welcome Packet as a notification of your PSERS membership status. Your employer may deduct your contributions from your first day of employment or begin deductions after you qualify for membership.

If your employer chose not to withhold contributions until after you qualify for membership, you will receive a *Statement of Amount Due* from PSERS once you qualify. The purchase is for contributions to your PSERS account from your first day of employment until you qualified for PSERS membership. The *Statement of Amount Due* will contain options on how to pay for your purchase of service. Interest is applied to the unpaid balance at a rate of four (4) percent compounded annually. This purchase is mandatory.

Contact PSERS Member Service Center if you have further questions after receiving a *Statement of Amount Due*.

## Foundations For Your Future Programs

As a part of its educational outreach, PSERS provides Foundations for Your Future seminars for active members. The FFYF programs are designed to give public school employees an overview of their retirement benefits. These programs provide all active and terminated vested members with general information about PSERS' benefits and services. Attending an FFYF program will supply you with the knowledge you need to begin to plan for your retirement. Each program lasts approximately 90 minutes.

A complete list of seminars is found on the PSERS website under Regional Offices, Retirement Overview (FFYF), and Schedule. Your employer will also have information of FFYF programs in your area.

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## FFYF Programs... (continued)

Advance registration is not required and you may attend any program at any location that you wish. 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 will be cancelled. In addition to physically attending an FFYF program, you can preview our presentation by going to the PSERS website under Regional Offices, then Retirement Overview.

Directions to any of the locations are found on the PSERS website under Regional Offices. If there is a demand for additional seminars during the year, PSERS may add seminars and post them to the PSERS website.

## Mailing of 1099-R Tax Forms

PSERS mails *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, 2015, contact PSERS to request a duplicate copy. If you have an online PSERS Interaction account, you may use your Interaction account to print a copy of your *Form 1099-R* beginning February 3rd. Interaction is PSERS' on-line web application. Go to the PSERS website and click on the Online Applications button to set up your Interaction account.

Any changes to your monthly check as a result of Federal Withholding Tax table changes will be provided at the top of your *2014 Guide to your PSERS-Issued Form 1099-R* (PSRS-293) that is included with your 1099-R. The 1099-R insert will provide you with your December 2014 and January 2015 net monthly check amounts.

If you are an active member of PSERS, the contributions and interest you make to your PSERS account are tax deferred until you withdraw the funds. You will not receive a *Form 1099-R* for the interest your contributions earn each year.

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.

To change your federal withholding amount, you must submit to PSERS a *W-4P Federal Tax Withholding Certificate for Annuity Payments* (PSRS-996) form. This form is available by contacting PSERS, printing the form directly from the PSERS website under Forms, or by contacting the Internal Revenue Service (IRS). PSERS provides an online Monthly Federal Tax Withholding Calculator, free for you to use on the PSERS website under Tax Calculator.

## Employer Contribution Rate for Fiscal Year 2015-2016

The employer contribution rate for fiscal year 2015-2016 will be 25.84%. The rate applies to salary and wages earned from July 1, 2015, through June 30, 2016. This rate was determined by PSERS' actuary and reflects the rate caps established by Act 120 of 2010. The rate was certified by the PSERS Board of Trustees at its meeting on December 9, 2014.

In addition, the employer contribution rate may change if pension legislation is enacted prior to June 30, 2015. The employer contribution rate for fiscal year 2015-2016 consists of 25% for pension costs and 0.84% for premium assistance payments. The projection for the employer contribution rate for fiscal year 2015-2016, prior to the rate caps being established with Act 120 of 2010 was 33.49%.

# Countdown to Retirement

Retirement is an exciting and daunting life change. Listed below are the suggested time frames in which you should consider taking certain steps toward your retirement to make your transition as easy and informed as possible:

## Two Years from Retirement

- Apply to purchase any uncredited service, if applicable. Applying for purchase of service should be done as early in your career as possible. Also, limited time frames may apply for certain types of service. For more information about purchasing service credit, go to the PSERS website under Active Members or contact PSERS Member Service Center at 888.773.7748.
- If you have divorced and never submitted a copy of the Domestic Relations Order (DRO), consider doing it now. Not having an approved DRO (ADRO) on file with PSERS can delay the processing of your retirement benefit. PSERS needs to review the terms of the DRO to ensure it meets PSERS distribution requirements. In the event that there is no Equitable Distribution of the PSERS funds, the former spouse must submit a *Waiver of Pension Benefits* (PSRS-1286) form to PSERS.
- Use the PSERS online Retirement Calculator to get an idea of what you may receive as your gross monthly benefit. This feature is found on the PSERS website under Retirement Calculator. You may also want to use the online Monthly Federal Tax Withholding Calculator to provide you with a better idea of your net monthly retirement benefit.

- You should attend a PSERS Foundations for Your Future (FFYF) program if you have not yet attended. If you have already attended an FFYF program, you may want to attend again to refresh yourself with the valuable information that is provided. A copy of the presentation is also found online that you can preview at any time. This program provides an overview of PSERS and benefits for which you may be eligible. More information about FFYF programs is found on the PSERS website under Regional Offices.

## Retirement within the Current School Year

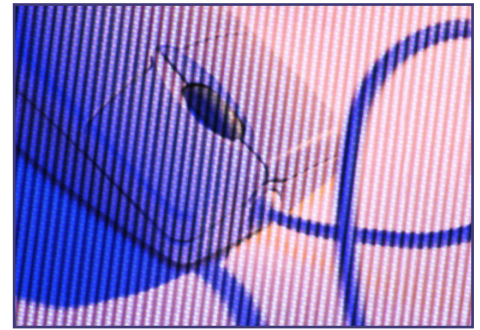
- Request a staff-prepared retirement estimate by completing a *Request for Retirement Estimate* (PSRS-151). The form is found on the PSERS website under Forms; or you can request it by contacting the PSERS Member Service Center at 888.773.7748.
- After receiving your retirement estimate, call the PSERS regional office listed in your estimate to schedule your *Exit Counseling* session. Be prepared when you attend the session to choose your retirement option so the PSERS Regional Representative can show you how to properly complete the *Application for Retirement* (PSRS-8) and any other necessary applications or forms.
- Investigate your employer's guidelines for retiring, terminating, and resigning. **Be sure to follow your employer's requirements concerning the notification of retirement.** Failure to actually notify your employer that you have resigned will delay the processing of your retirement benefit.

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## Countdown to Retirement... (continued)

### Other Steps to consider:

- Consider setting aside funds to cover your living expenses during your retirement benefit processing time frame. Most retirement benefits are processed within 4 to 6 weeks after PSERS receives your properly completed application(s), your termination date, and your last salary and service is reported by your employer. Errors or missing information may further delay processing of your application.
- Contact your employer to discuss benefits available through them such as payment for unused vacation, sick leave, sabbatical leave, and health insurance.
- Consult with a financial planner or a tax consultant, if appropriate.
- Contact the Social Security Administration regarding your benefits, if applicable.



***You can preview an FFYF presentation any time by going to the PSERS website under Regional Offices, then Retirement Overview. Here you will also find a complete list of FFYF seminars scheduled in your area.***

## Returning to PA Public School Service After Retirement

As a PSERS retiree, you are not permitted to work for a Pennsylvania public school employer without risking the loss of your monthly retirement pension unless you qualify for specific exceptions. For more information about these exceptions, please refer to the PSERS publication, *PSERS Return to Service Guidelines* (PSRS-9682) found on the PSERS website or by calling PSERS. It is very important that you familiarize yourself with this publication if you plan to work after retirement with a Pennsylvania public school employer.

If PSERS finds that you do not qualify for any of the return to service exceptions, your monthly payment will be suspended and you will again become an active contributing member of PSERS. You will also be required to pay back the benefit you received while you were a PSERS retiree and working for a Pennsylvania public school employer. This result may not be beneficial to you because your future pension payments may likely be reduced.

If you return to Pennsylvania public school employment without qualifying for the return to service exceptions, send a letter to PSERS informing of the new PA public school employment before beginning the employment. Include in the letter your name, the last four digits of your social security number, the PA public school employer to which you are returning, and the date of your return to service. Make sure to also inform your new employer that you are currently receiving a PSERS pension. Your new employer must complete and submit to PSERS the *PSERS Retirees Returning to Service* (PSRS-1299) form as soon as possible. As stated previously, your monthly payment will be suspended, you will again become an active contributing member of PSERS, and you will be required to pay back the benefit you received after you returned to service but before your pension was suspended.

# Public School Employees' Retirement System as of June 30, 2014

A summary of the state of PSERS funding as of June 30, 2014, 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, 2014*, which can be viewed on PSERS' website at [www.psers.state.pa.us](http://www.psers.state.pa.us) through the Publications page.

## Net Position Held in Trust

PSERS is the 19th largest state-sponsored public defined benefit pension fund in the nation and the 29th largest among public and corporate pension funds in the nation. The fund's net position increased by nearly \$4.0 billion since June 30, 2013. This increase was due in large part to net investment income plus member and employer contributions exceeding deductions for benefits and administrative expenses.

	Fair Value (in Billions)
Total Assets of the Fund (receivables, investments, fixed assets, etc.)	\$ 55.0
Total Liabilities of the Fund (payables, obligations under securities lending, etc.)	1.7
<b>Total Plan Net Position Held in Trust</b>	<b>\$ 53.3</b>

## Investments

As of June 30, 2014, total investments, which comprise the majority of PSERS' overall net position held in trust, by asset class were as follows:

	Fair Value (in Billions)
Short-term investments	\$ 4.3
Fixed income investments	5.5
Common and preferred stock investments	10.9
Collective trust funds	11.8
Real estate investments	7.2
Alternative investments	13.2
Total investments as of June 30, 2014	<b>\$ 52.9</b>

## Contributions

During the 2013-2014 school year, the employer contribution rate was 16.93% of the employer's payroll. For the 2014-2015 school year, the rate increased to 21.40%. 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% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer 50% of the payment for employees hired on or before June 30, 1994. For employees hired after June 30, 1994, based on a statutory formula, school entities are reimbursed by the Commonwealth a minimum of 50% of the payment. Non-school entities and the Commonwealth each contributed one-half of the total employer rate (8.465%) for school year 2013-2014.

## Employee & Employer Rate History

Fiscal Year Ended June 30	Employee Contribution Rate*	Employer Contribution Rate	Cumulative Yearly Salaries Paid to School Employees
2014	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	16.93%	\$12.8 Billion
2013	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	12.36%	\$12.8 Billion
2012	6.50%/7.50% or 5.25%/6.25% or 7.5%/10.3%	8.65%	\$12.9 Billion
2011	6.50%/7.50% or 5.25%/6.25%	5.64%	\$13.3 Billion
2010	6.50%/7.50% or 5.25%/6.25%	4.78%	\$12.9 Billion

\* Rate is dependent on membership class, which is based on an employee's date of membership eligibility. The "7.5%/10.3%" beginning in 2012 represents membership classes T-E and T-F, respectively.

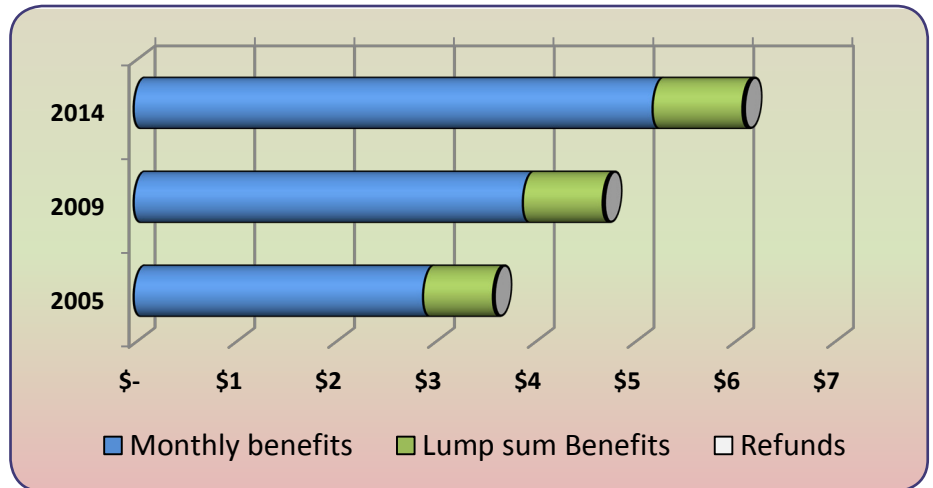




### Benefit Payments (Amounts in Billions)

*Highlights on Payment of Benefits:*

1. PSERS paid \$6.1 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, 2014.
2. PSERS' current monthly retirement payroll exceeds \$435 million.

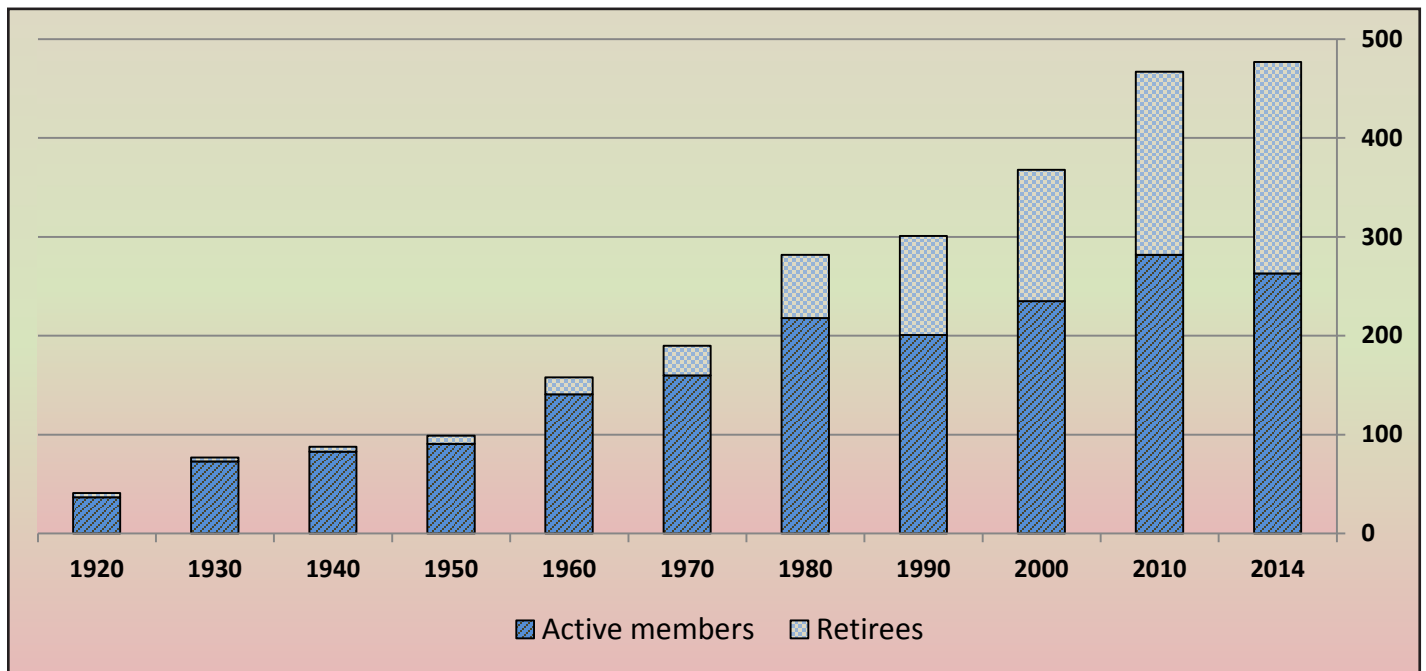


### Total Membership - Active & Retired (in Thousands)

*Highlights on Membership Statistics:*

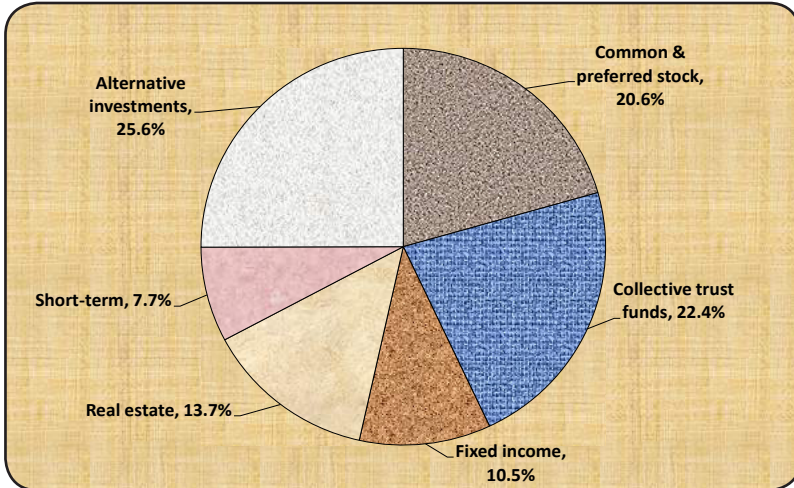
This bar chart below is based upon actuarial valuation statistics through June 30, 2014. PSERS' newest member population totals show the number of retired members and survivors/beneficiaries now to be approximately 213,900 and the active contributing membership to be approximately 263,000.

From 2005 to 2014, the retired membership increased by approximately 36.3% and the active membership has increased by approximately 3.1%.



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### Investment Portfolio Distribution at June 30, 2014 (Fair Value)



#### Highlights on Investments:

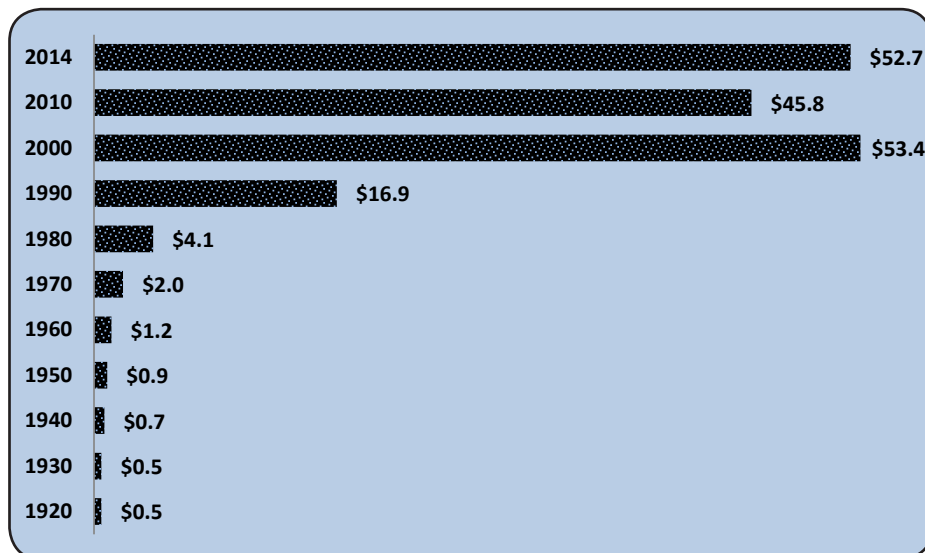
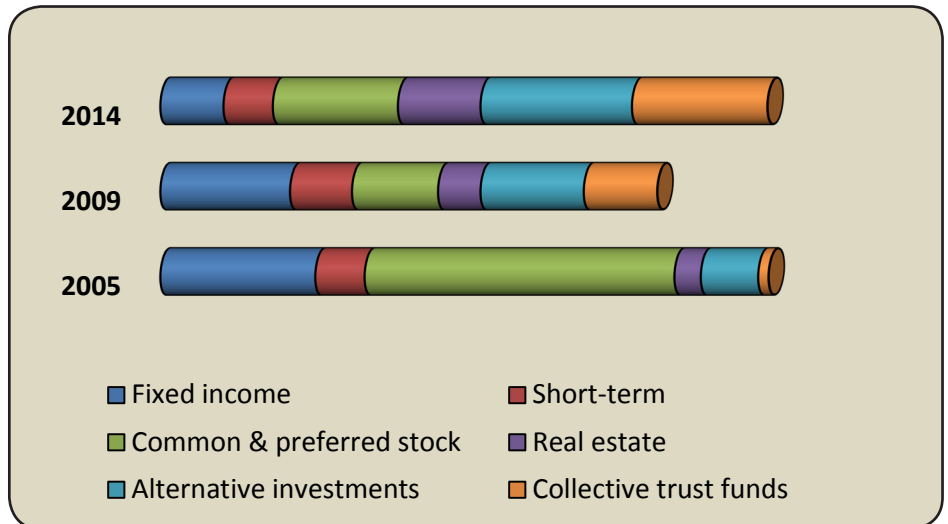
The five largest individual domestic common and preferred stocks in PSERS' domestic portfolios (in millions) as of June 30, 2014, were:

	Fair Value
Security Capital Preferred Growth	\$ 197
AllianceBernstein Factor Risk Premia Fund, L.P.	195
Apple Computer, Inc.	103
Exxon Mobil Corporation	79
Microsoft Corporation	57

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

#### Highlights on Investments:

1. In 2005, PSERS' investments at fair value were \$53.0 billion compared to 2014's \$52.9 billion.
2. PSERS' common & preferred stock investments were 50.9% in 2005 and 20.6% in 2014 of the fair value of PSERS' total investments.
3. PSERS' investments from 2005 to 2014 have shown a reallocation from common & preferred stock investments to real estate, alternative, and collective trust investments.



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

PSERS is the 19th largest state-sponsored public defined benefit pension fund in the nation and the 29th largest among public and corporate pension funds in the nation.

**Comparison of Total Accrued Liabilities to Total System Assets  
For Valuation Years 2014, 2009, and 2005 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2014	\$ 92.5	\$ 57.4	\$ (35.1)	62.0%
2009	\$ 75.5	\$ 59.8	\$ (15.7)	79.2%
2005	\$ 61.2	\$ 51.2	\$ (10.0)	83.7%

\* Accrued Liabilities - Generally 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 - Measurement used to show PSERS' progress toward funding pension obligations.

**Condensed Statement of Plan Net Position as of June 30, 2014**

<b>Assets:</b>	
Receivables:	
Contributions due from members and employers	\$ 939
Investment receivables and other miscellaneous	467
Total Receivables	<u>1,406</u>
Investments (at fair value)	52,928
Securities lending collateral pool	597
Capital assets	23
<b>Total Assets</b>	<u>54,954</u>
<b>Liabilities:</b>	
Benefits and other accounts payable	674
Investment purchases and other liabilities	421
Obligations under securities lending	597
<b>Total Liabilities</b>	<u>1,692</u>
<b>Net Position - held in trust for pension and postemployment healthcare benefits</b>	<u>53,262</u>

**Condensed Statement of Changes in Plan Net Position for Year Ended June 30, 2014**

Net Assets - held in trust for pension and postemployment healthcare benefits at beginning of year, July 1, 2013	\$ 49,276	A
Additions during the year:		
Contributions, Participant premiums, and Centers for Medicare & Medicaid Services	3,372	
Net investment income	7,098	
<b>Total Additions</b>	<u>10,470</u>	B
Deductions during year:		
Benefits and refunds paid to members	6,417	
Administrative expenses	67	
<b>Total Deductions</b>	<u>6,484</u>	C
Change in Net Position held in trust for pension and postemployment healthcare benefits (B - C)	3,986	D
<b>Net Position - held in trust for pension and postemployment healthcare benefits at end of year, June 30, 2014 (A + D)</b>	<u>\$ 53,262</u>	

Detailed information regarding the financial statements is available in the PSERS' *Comprehensive Annual Financial Report* (CAFR). The CAFR financial statements 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 PSERS' website, [www.psers.state.pa.us](http://www.psers.state.pa.us), through the Publications page, or call 1.888.773.7748 for a copy.

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