

Winter 2011

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Sally Turley Reelected to Board Seat

Sally J. Turley was reelected as the annuitant member representative on the PSERS Board of Trustees. The term is for three years beginning in January 2011.



Mrs. Turley has served as a PSERS Annuitant Board Member since 2001. She is the current Board Vice-Chair and chairs the Health Care Committee. She also serves on the By-Laws/Policy, Appeals/Member Services, Personnel, and Finance Committees.

After 39 years as a secondary classroom teacher, Mrs. Turley retired in 1995 from the Clearfield Area School District.

Mrs. Turley earned a B.S. degree from Indiana University of Pennsylvania and an M.S. degree from West Virginia University. She holds memberships in the Pennsylvania State Education Association - Retired (PSEA-R),

National Education Association (NEA), Pennsylvania Association of School Retirees (PASR), American Association of University Women (AAUW), and formerly in the American Association of Family and Consumer Sciences (AAFCS).

Mrs. Turley and her husband reside in Greensburg, PA. They have two children and four grandchildren.

The *PSERS Member 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.

From the Desk of the Executive Director

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

Update on Investment Returns, Benefit Processing, and Legislation

What a difference a year makes! Last year at this time, as the historic downturn in the investment markets impacted investors around the world, PSERS reported on the worst fiscal year in the history of the System. This year, I am pleased to report a turnaround in PSERS fiscal year-end investment performance. While PSERS is still facing long-term funding issues, there is good news to report.



Mr. Clay

Investment News

As this issue of the *PSERS Winter Update* details in the *State of the Fund as of June 30, 2010* report, the

investment markets have improved from the historic lows of the previous fiscal year. I am pleased to report that PSERS posted a positive 14.59% investment rate of return for the fiscal year ended June 30, 2010. This return is well above PSERS' investment rate of return assumption of 8.00%. Any amount PSERS earns over its return assumption will help decrease the System's unfunded liabilities and help improve the funding status of the System.

As the economy continues to slowly improve, so have PSERS investment returns. Positive investment returns have continued through December 31, 2010. To date, though it is impossible to accurately predict, PSERS appears to be on track to post another positive investment return for the current fiscal year ending June 30, 2011.

Customer Service News

PSERS remains committed to improving the services it provides to members and employers. Over the past year, PSERS has significantly reduced its backlog of processing benefits and continues to provide complete and accurate

retirement benefits in a much timelier manner than in the past.

For example, traditionally PSERS' retirement benefits have been paid to members in two steps:

- (1) A reduced initial benefit within about 10 weeks of retirement based on information on file with PSERS at that time.
- (2) A finalized benefit within about 18 months of the retirement date using the final information reported to PSERS. The finalized benefit includes the payment of any retroactive monies.

PSERS has worked with employers over the past year to improve employer reporting and to put new processes in place. As a result, PSERS expects in 2011 to process more than 70% of all retirements in one step. This enables staff to work on a member's account only once and provide the full benefit starting with the first payment. It also allows staff to focus on other customer service areas.

Legislation News

While PSERS does not take a formal position on legislation, there has been some positive news regarding legislative action on the funding issues at the System.

On November 23, 2010, Act 2010-120 (formerly HB 2497) was signed into law. This legislation is an attempt to address the funding challenges facing the System using both benefit and actuarial/funding changes to PSERS.

The benefit changes impact individuals ***who will become brand new members of PSERS on or after July 1, 2011. Act 2010-120 will NOT impact the pension benefits of current PSERS members, whether active, inactive, vested or retired.***

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

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www.psers.state.pa.us
Email Address:
ContactPSERS@state.pa.us

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

PSERS Board of Trustee Meeting Schedule

January 21, 2011
March 11, 2011
April 29, 2011
June 10, 2011
August 11, 2011
October 7, 2011
December 9, 2011

PSERS Board meetings are held in Harrisburg at PSERS, located at 5 North 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 Flurie, PSERS Executive Office at 1-888-773-7748, extension 4617.

From the Desk of the Executive Director (continued from page 2)

For more information on Act 2010-120, please read the articles in this newsletter and stay tuned for more updates in future newsletters and mailings.

Updated information on PSERS' funding issue can be found on the "Pension Funding Resource" page on PSERS' website, www.psers.state.pa.us/press/pension_funding_issues/index.html.

Your PSERS Member Newsletters

Please keep in mind when you read the *PSERS Winter Update* that PSERS represents a wide range of Pennsylvania public school employees with various backgrounds. PSERS makes every attempt to make sure that information is supplied to the members in a format that effectively conveys important information pertaining not only to a member's account, but informs members of their legal rights, as well.

On occasion, we receive requests to send only one issue of the newsletter from members who share the same address. For our records, we do need to record that every member was sent a copy of the newsletter addressed specifically to that member. Therefore, we will not send a single copy of a newsletter to a multiple member household.

Maximum Earnings Subject to Contributions for 2011

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 2011 is \$245,000. This amount is unchanged from the 2010 limit. Employers have been notified of this limit. If you earn \$245,000 or more during the 2011 calendar year and believe your employer is not withholding the correct amount of PSERS member contributions, please contact your employer.

Foundations for Your Future (FFYF)

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. During these programs, PSERS examines topics such as: benefit options, withdrawal of contributions, rollovers, taxes, and legislative actions affecting PSERS.

Listed below are seminars scheduled from late February 2011 through June 2011 (not inclusive, more dates may be added in some areas). Seminars prior to 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 locations, please contact your regional office, the PSERS Member Service Center at 1-888-773-7748, or access the PSERS website. 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.

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

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.

If a school location experiences an emergency/weather closing, the meeting will be canceled.

Southwest Region, Toll-Free 1-888-773-7748, extension 5775

Counties Served: Allegheny, Fayette, Greene, & Washington

County	City	Location & Address	Date	Time
Allegheny	Homestead	Allegheny I.U., McGuffey & Sullivan Rms., 475 E. Waterfront Dr.	March 9, 2011	4:30 p.m.
			April 14, 2011	4:30 p.m.
Allegheny	Pittsburgh	Community College of Allegheny County, North Campus, 3rd Floor Conference Room (Room 3002), 8701 Perry Hwy.	March 16, 2011	4:30 p.m.
Allegheny	Pittsburgh	Clarion Hotel and Conference Center, Ambassador Ballroom, 401 Holiday Dr.	February 16, 2011	4:30 p.m.
			April 6, 2011	4:30 p.m.
Washington	Charleroi	Mon Valley Career and Technology Center, Classrooms 1 and 2, 1 Guttman Blvd.	March 17, 2011	4:30 p.m.
Washington	Washington	Trinity Middle School, Auditorium, 50 Scenic Dr.	March 2, 2011	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 7, 2011	4:30 p.m.
Bucks	Quakertown	Quakertown Area High School, 600 Park Ave.	April 7, 2011	4:30 p.m.
Delaware	Morton	Delaware County I.U., Education Service Center, Rooms 171 & 172, 200 Yale Ave.	March 16, 2011	4:30 p.m.
			April 5, 2011	4:30 p.m.
Montgomery	Kulpsville	Holiday Inn Lansdale (Inn at Towamencin), 1750 Sumneytown Pk.	March 15, 2011	4:30 p.m.
Montgomery	Pottstown	Pottstown Senior High, N. Washington St.	March 31, 2011	4:30 p.m.
Philadelphia	Philadelphia	Ramada Philadelphia Northeast, 11580 Roosevelt Blvd.	March 24, 2011	4:30 p.m.
Philadelphia	Philadelphia	Philadelphia School District Education Center, Auditorium, 440 N. Broad St.	March 14, 2011	4:30 p.m.
			April 12, 2011	4:30 p.m.

Foundations for Your Future (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
Adams	New Oxford	Lincoln I.U., 65 Billerbeck St.	March 7, 2011	4:30 p.m.
Cumberland	Summerdale	Central Penn Conference Center, College Hill & Valley Rd.	March 15, 2011	4:30 p.m.
Dauphin	Harrisburg	PA State Farm Show Building, VIP Lounge (3rd Level), Cameron Lobby Entrance, 2300 N. Cameron St.	April 19, 2011	4:30 p.m.
Dauphin	Hummelstown	Lower Dauphin Middle School, Auditorium 251 Quarry Rd.	April 6, 2011	4:30 p.m.
Franklin	Chambersburg	Chambersburg Area Middle School, Auditorium, 1151 E. McKinley St.	March 21, 2011	4:30 p.m.
Lancaster	Lancaster	Lancaster-Lebanon I.U., 1020 New Holland Ave.	March 22, 2011	4:30 p.m.
York	York	York Suburban High School, Auditorium, 1800 Hollywood Dr.	April 7, 2011	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, Health Science Building, Auditorium, 1 Campus Dr.	March 10, 2011	4:30 p.m.
Butler	Butler	Butler Area SD Intermediate School 120 Campus Ln.	March 29, 2011	4:30 p.m.
Clarion	Clarion	Riverview I.U., 270 Mayfield Rd.	March 16, 2011	4:30 p.m.
Clearfield	Dubois	Dubois Area Middle School, Auditorium 404 Liberty Blvd.	March 1, 2011	4:30 p.m.
Erie	Edinboro	Northwest Tri-County I.U., 252 Waterford St.	March 8, 2011	4:30 p.m.
Jefferson	Brookville	Calvary Church, 110 Evans St.	March 3, 2011	4:30 p.m.
Lawrence	New Castle	Lawrence Co Career Tech Center, 750 Phelps Way	April 5, 2011	4:30 p.m.
Mercer	Mercer	Mercer Jr./Sr. High School, Auditorium or LGI Room, West Butler St.	March 14, 2011	4:30 p.m.
Venango	Franklin	Rocky Grove Jr./Sr. High School Auditorium, 403 Rocky Grove Ave.	April 7, 2011	4:30 p.m.
Warren	Warren	Warren Area High School, Auditorium 345 E 5th Ave.	February 28, 2011	4:30 p.m.

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
Bradford	Towanda	Towanda Area High School, Auditorium, 1 High School Dr.	February 24, 2011	4:30 p.m.
Centre	State College	State College Area High School South, Auditorium, 650 Westerly Pkwy.	March 17, 2011	4:30 p.m.

Northcentral Region, Toll-Free 1-888-773-7748, extension 5275 (continued)

County	City	Location & Address	Date	Time
Clearfield	West Decatur	Central I.U., Clinton Room, 345 Link Rd.	February 17, 2011	4:30 p.m.
Columbia	Berwick	Berwick Area Senior High School, Auditorium 1100 Fowler Ave.	March 9, 2011	4:30 p.m.
Elk	St. Marys	St. Marys Area Middle School, Large Group Instructional Room, 979 S. St. Marys Rd.	March 31, 2011	4:30 p.m.
Lycoming	Williamsport	Holiday Inn Williamsport, 100 Pine St.	February 15, 2011 June 29, 2011	4:30 p.m. 1:30 p.m.
McKean	Smethport	Smethport Area Jr./Sr. High School, Auditorium, 412 S. Mechanic St.	March 1, 2011	4:30 p.m.
Schuylkill	Mar Lin	Schuylkill I.U., Schuylkill Technology Centers, South Campus, 15 Maple Ave., Pottsville-Minersville Hwy.	April 21, 2011	4:30 p.m.
Tioga	Wellsboro	Wellsboro High School, Auditorium, 225 Nichols St.	April 5, 2011	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.	February 16, 2011 April 7, 2011	4:30 p.m. 4:30 p.m.
Luzerne	Nanticoke	Luzerne County Community College, Educational Conference Center, Auditorium 132, 1333 S. Prospect St.	April 19, 2011	4:30 p.m.
Monroe	Stroudsburg	Pocono Inne Town, 700 Main St.	March 8, 2011	4:30 p.m.
Northampton	Easton	The Eastonian Banquet and Convention Center at the Holiday Inn Express, 90 Kunkle Dr.	February 10, 2011 April 13, 2011	4:30 p.m. 4:30 p.m.
Pike	Matamoras	Best Western at Hunts Landing 120 Routes 6 & 209	March 16, 2011	4:30 p.m.
Susquehanna	Montrose	American Legion Gardner-Warner Post 154, RR 4, Elk Lake Rd.	April 7, 2011	4:30 p.m.
Wayne	Hawley	Wallenpaupack High School, Library, HC 6	March 3, 2011	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
Berks	Reading	Reading-Muhlenberg Career & Technology Center, Warren Rd.	February 24, 2011	4:30 p.m.
Chester	West Chester	J. R. Fugett Middle School, Auditorium, 500 Ellis Ln.	March 16, 2011	4:30 p.m.
Lehigh	Allentown	Rodeway Inn & Conference Center, 1151 Bulldog Dr.	February 15, 2011	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 3, 2011	4:30 p.m.
Bedford	Bedford	Arena Restaurant, 4407 U.S. 220 Business	February 17, 2011	4:30 p.m.

Centralwest Region, Toll-Free 1-888-773-7748, extension 5875 (continued)

County	City	Location & Address	Date	Time
Blair	Altoona	Ramada Inn-Altoona, I-99, exit 31 (Plank Road)	March 31, 2011	4:30 p.m.
Somerset	Somerset	Quality Inn 215 Ramada Rd.	March 14, 2011	4:30 p.m.
Westmoreland	Youngwood	Westmoreland County Community College, Commissioners Hall, 145 Pavilion Ln.	March 1, 2011	4:30 p.m.

New Retirees Benefit from Updated PSERS Business System

In 2010, almost 70% of all retirement benefits were processed and finalized in a single step, known as "one-step" processing. This means that most retiring employees received a **finalized** benefit within 8 to 10 weeks of their retirement date.

In the past, PSERS processed a retirement benefit in two steps - the initial estimated benefit and the finalized benefit. The initial estimated benefit provided the retiree with income as soon after retirement as possible, but did not necessarily reflect the final year's salary, service, and contribution information. Frequently, the employer had additional salary and service information to report after the date of retirement, especially if the retiree retired in June, but was receiving additional balance of contract salary payments through July and August.

Once the employer was able to provide all of the final year's salary and service information, PSERS

would start the process to finalize the retiree's retirement benefit. This process would usually result in a retiree receiving a retroactive monthly benefit payment, as well as an additional contribution and interest payment, up to 18 months later.

The new PSERS business system, which allows the employer to report employee salary and service information to PSERS via a Web-based program in a more timely fashion, helped to expedite the reporting of this information and ultimately, reduced the retirement benefit finalization processing time.

Retirees can tell if their benefit was finalized in one step by referring to the benefit payment letter. Those who received one-step processing will see that their letter states "finalized" in the subject line. Those who may have future retroactive payments due will see the benefit payment described as "initial."

Reminder for Retirees Awaiting Benefit Finalization & Rollovers

If you are a retiree awaiting the finalization of your retirement benefit and expect to have additional funds rolled into an IRA or other eligible plan and have changed your originally designated financial institution, you need to inform PSERS. To do so, complete a new *Authorization for Direct Rollover* (PSRS-1264). The form is available through the PSERS website at www.psers.state.pa.us/forms/f1264.pdf, or by contacting PSERS. We must receive the new authorization prior to your receipt of our rollover notification letter.

Once the benefit finalization is in its final processing

stages, PSERS will not redirect the rollover. The payment will be rolled as originally directed. 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.

**Attention Retired
Members...
Keep Your
Monthly Benefits
Coming by
Keeping 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 *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.

Act 2010-120 Items Affecting Current Active Members or Employees

Purchase of Non-Qualifying Part-Time Service

Beginning on July 1, 2011, active contributing members of PSERS will have a three-year window to file a *Purchase of Former Part-Time Uncredited Service* (PSRS-100) application to purchase any non-qualifying part-time service (NQPT).

Current members who are inactive but return to active service after July 1, 2011, will have a one-year window to purchase NQPT service.

NQPT service is any part-time hourly or part-time per diem school employment in which the service within a given school year (July 1 - June 30) was less than 500 hours if hired on as an hourly employee or 80 days if hired as a per diem employee.

PSERS considers your NQPT application to be filed when both of these applications are met:

- ✓ You complete your sections of the form (Sections A - D) of the application.
- ✓ Your employer(s) where the service was rendered completes their sections of the form (E-F) and date stamps your application.

Guidelines to purchase part-time service and an application are on the PSERS website at www.psers.state.pa.us/forms/f100.pdf.

Part-time Employees Qualifying for PSERS Membership

Prior to the passage of Act 2010-120, an employee who worked in a part-time hourly or part-time per diem position for a PSERS-covered entity had to qualify each school year (July 1 – June 30) for membership in PSERS. To qualify to become a member of PSERS, a part-time per diem employee had to work at least 80 days within a single school year and a part-time hourly employee had to work at least 500 hours. During any following school year, the employee had to once again qualify for membership in PSERS by meeting the 80-day or 500-hour employment requirement.

Under Act 2010-120, once a member qualifies for membership within a single school year, all subsequent school years will be considered “qualified” service until there is a break in his or her

**New!
Non-Qualifying
Part-Time Purchase of
Service Credit
Application Deadline!**

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Act 120 Issues Affecting Current Members (continued)

membership, regardless of the number of days or hours worked within that subsequent school year. This condition of membership is not retroactive, but begins with qualification in the 2010-2011 fiscal year or later.

A member who is retired and returns to Pennsylvania public school employment, will be considered as not having had a break in PSERS membership. The member would automatically have service counted as qualified service (unless the employment was considered an emergency hire) with the salary and service added to his or her PSERS account. Additionally, this applies to any member that becomes vested in PSERS (5 years of service credit for Class T-C or T-D, and 10 years of service credit for Class T-E and T-F) and returns to active PSERS employment.

***Vested Members...
Once Qualified,
Always Qualified***

A member who **is not** vested would have to re-qualify for membership in PSERS to receive retirement credit for service if any of the following applies:

- Terminated employment and received a refund of his or her contributions and interest.
- Terminated employment without having received a refund of his or her contributions and interest **and** returned to service after a period of two years.
- Not been reported as being employed by a Pennsylvania public school employer for a period of two years or more, irrelevant of whether or not there was a refund of the member's contributions and interest.

Optional PSERS Membership

Part-time salaried, part-time hourly, or part-time per diem employees may still opt to waive membership in PSERS. The employee must notify his or her employer within the school year to exercise this option for that particular school year. The employee must also have an Individual Retirement Account (IRA) or other eligible retirement plan to waive membership in PSERS.

Employees who elected to waive membership in PSERS and therefore did not meet PSERS membership qualifications prior to July 1, 2011, will become Class T-E or T-F members should the employee enter into a full-time position, or decided not to waive membership within a qualifying school year. The Class T-E or T-F membership would apply even if the employee had worked 80 days or 500 hours in a single school year but the employee had opted to waive PSERS membership.

Attention Retirees! 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, 2011, 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.

Changing Withholding Amount

If you wish to change your federal withholding amount, you must submit to PSERS a *W4-P* form. This form is available by contacting PSERS, printing the form directly from the PSERS website at **www.psers.state.pa.us/forms/W-4P.pdf**, or by contacting the Internal Revenue Service (IRS).

PSERS makes available a tax withholding calculator on our website at **www.psers.state.pa.us/fedwithholding/DISPLAYTAX.aspx**, to assist with the completion of the *W4-P* form.

Important Tax Notes for PSERS Retirees!!

Federal tax legislation, the *Making Work Pay Tax Credit (MWC)*, implemented in 2009 as part of the *Recovery and Reinvestment Act*, ended December 31, 2010.

When the MWC went into effect, your total federal withholding amount likely decreased. The elimination of MWC in 2011 may likely result in a higher amount being withheld for federal taxes from your benefit payment.

As a result, if you had changed your federal withholding tax in 2009, you may wish to change your federal withholding amount by completing and submitting a *W4-P* to PSERS.

This form is available by contacting PSERS, printing the form directly from the PSERS website at www.psers.state.pa.us/forms/W-4P.pdf, or by contacting the Internal Revenue Service (IRS).

PSERS makes available a tax withholding calculator on our website at www.psers.state.pa.us/fedwithholding/DISPLAYTAX.aspx, to assist with the completion of the *W4-P* form.

Criminal Activity & 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) 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.

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.

Passage of Act 2010-120 - Changes Affecting Only Future Members

On November 23, 2010, Act 2010-120 was signed into law. This legislation is an attempt to address the future funding issues pertaining to the Public School Employees' Retirement System (PSERS).

The legislation created two new PSERS membership classes. Funding changes were made to protect PSERS solvency and to keep employer contribution rates from rising too high and/or too fast.

These changes will not affect the benefits of current active, vested, or retired members of PSERS. The benefit reductions contained in Act 2010-120 only affect those who become new members of PSERS on or after July 1, 2011. Those who become members on or after July 1, 2011, have new membership classes, contribution rates, benefit options, final average salary caps, vesting and new full retirement eligibility requirements. Former members of PSERS who return to service on or after July 1, 2011, retain their prior membership status.

For those parts of the Act that do affect current members of PSERS, please refer to the article on page 10, *Act 2010-120 Items Affecting Current Active Members or Employees*.

Benefit Changes for New Members

The Act provides for two new membership classes, Class T-E and Class T-F, which affects only those enrolled as new members on or after July 1, 2011.

Conditions applying to both Class T-E and T-F members include:

- Yearly gross pension benefit payments cannot exceed the member's final average salary.
- At retirement, a member cannot

at retirement make a lump-sum withdrawal of employee contributions and interest. Member contributions and interest will only be paid as part of the monthly benefit payment.

- Ten (10) years of credited PSERS service is required for vesting (eligibility for a monthly retirement benefit).

**Act 2010-120
Membership Classes
affect only those
enrolled as new members
on or after
July 1, 2011!**

- Five (5) years of credited PSERS service is required for disability retirement benefit eligibility.
- Superannuation, or "full" retirement, is at age 65 with at least three (3) years of credited service, or any age/service combination that totals 92 ("Rule of 92") with a minimum of 35 years of service. **Example:** A member age 57 with 35 years of credited service ($57 [\text{age}] + 35 [\text{service}] = 92$) would total 92 and, therefore, would be superannuated.
- The cost to purchase most types of nonschool or nonstate service credit (other than military service) will be the full actuarial cost.
- Creates a "shared risk" program for Class T-E and T-F members to share in some of the benefit and risk of the system's investment performance. See *Funding Changes* in this article.

Specific to New Membership Class T-E

- Initial employee contribution rate is 7.5% of salary.
- With shared risk component, employee contribution rate can fluctuate between 7.5% (base rate) and 9.5% of salary.
- Pension benefit calculation

multiplier is 2.0%.

Specific to New Membership Class T-F

- Initial employee contribution rate is 10.3% of salary.
- With shared risk component employee contribution rate can fluctuate between 10.3% (base rate) and 12.3% of salary.
- Pension multiplier used in calculation of retirement benefit is 2.5%.

Funding Changes

Employers are required to make contributions to PSERS which help to fund member pension benefits. Due to periods of underfunding, the employer contribution rate was expected to rise quickly and dramatically. Act 2010-120 introduced rate caps to suppress the speed and amount by which the employer contribution rate may increase.

Employers are now required to contribute at least the "normal cost" each year, which is the amount needed to fund the benefits earned by active members for that year.

Act 2010-120 created a "shared risk" program where Class T-E and T-F members, along with the employers, will either benefit from or experience increased contributions based on PSERS' assumed rate of return on investments. The employee contribution rate could increase or decrease by 0.5% every three years depending on PSERS' investment experience.

A series of actuarial changes regarding funding methodology were also enacted. Additional information about these new membership classes and other funding aspects created by Act 2010-120 can be found on the PSERS website, www.psers.state.pa.us.

Disability Earned Income Limitation

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

If the completed *Annual Earnings Statement* is not returned by April 30, 2011, 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.

Those who are filing the *Annual Earnings Statement for the first time* must submit a statement for all years they received PSERS disability payments. For example, a member files an *Application for Disability Retirement (PSRS-49)* on May 5, 2010. On May 28, 2010, PSERS' Medical Examiners approved an annual disability retirement benefit retroactive to June 15, 2008, (the retiree's last day of work). The disability retiree is required to complete *Annual Earnings Statements* for 2008, 2009, and 2010.

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.
- ✓ Be disabled on the date you submit to PSERS the *Application for Disability Retirement (PSRS-49)*.
- ✓ Apply for a disability benefit within two school years from the day you last earned service credit and had contributions withheld.
- ✓ Not be receiving any other retirement benefit from PSERS.

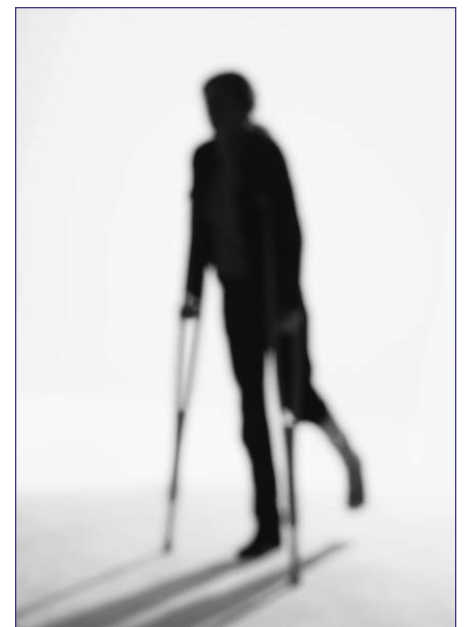
You are not required by PSERS to resign your position to apply for a disability benefit. Your employer, however, may require resignation.

To apply for a PSERS disability retirement benefit, contact your PSERS regional office for counseling. A PSERS

counselor will assist you with the completion of 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.
- Request a refund of your remaining accumulated contributions to PSERS plus interest.
- Vest your account and later apply for a retirement benefit if you have terminated employment.
- Apply for a normal or early retirement if you were eligible for these benefits when you left school service.



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 received along with either the "Finalized Retirement Benefit Letter" (if the retirement was processed in a single step), or the "Initial Retirement Benefit" letter (if the benefit will be processed in two steps). 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 the PSERS Exit Counseling session, conducted by the PSERS regional office representatives, as well as outlined in a new retiree's "Initial" or "Finalized Retirement Benefit Letter" package.

Basic Requirements to Apply to Purchase Service Credit

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

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. Additionally, 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.psers.state.pa.us/publications/pamphlets/credit.htm or by contacting PSERS.

May I Borrow Money from My PSERS Account?

The Public School Employees' Retirement Code 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.

PSERS 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.

Public School Employees' Retirement System as of June 30, 2010

A summary of the state of the PSERS fund as of June 30, 2010, 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, 2010*, 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 17th largest state-sponsored public defined benefit pension fund in the nation and the 27th largest among public and corporate pension funds in the nation. The fund's net assets increased \$2.6 billion since June 30, 2009. This increase was due to net investment income plus member and employer contributions exceeding the deductions for benefits and administrative expenses.

	Fair Value (in Billions)
Total Assets of the Fund (receivables, investments, fixed assets, etc.)	\$ 49.1
Total Liabilities of the Fund (payables, obligations under securities lending, etc.)	<u>3.3</u>
Total Plan Net Assets Held in Trust	\$ 45.8

Investments

As of June 30, 2010, total investments, which comprise the majority of PSERS' overall net assets held in trust, by asset class were as follows:

	Fair Value (in Billions)
Short-term investments	\$ 4.1
Fixed income investments	11.9
Common and preferred stock investments	15.3
Real estate investments	4.0
Alternative investments	<u>11.2</u>
Total investments as of June 30, 2010	46.5
Net other assets and liabilities	<u>(.7)</u>
Total Plan Net Assets Held in Trust	\$ 45.8

Contributions

During the 2009-2010 school year, the employer contribution rate was 4.78% of the employer's payroll. For the 2010-2011 school year, the rate increased to 5.64%. 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 (2.39%) for school year 2009-2010.

Employee & Employer Rate History

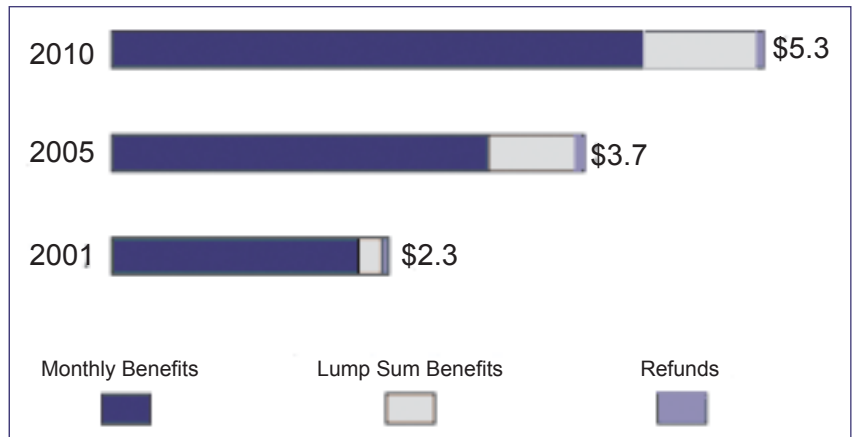
Fiscal Year Ended June 30	Employee Contribution Rate*	Employer Contribution Rate	Cumulative Yearly Salaries Paid to School Employees
2010	6.50%/7.50% or 5.25%/6.25%	4.78%	\$12.9 Billion
2009	6.50%/7.50% or 5.25%/6.25%	4.76%	\$12.4 Billion
2008	6.50%/7.50% or 5.25%/6.25%	7.13%	\$11.9 Billion
2007	6.50%/7.50% 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

* Rate is dependent on membership class, which is based on an employee's date of membership eligibility.

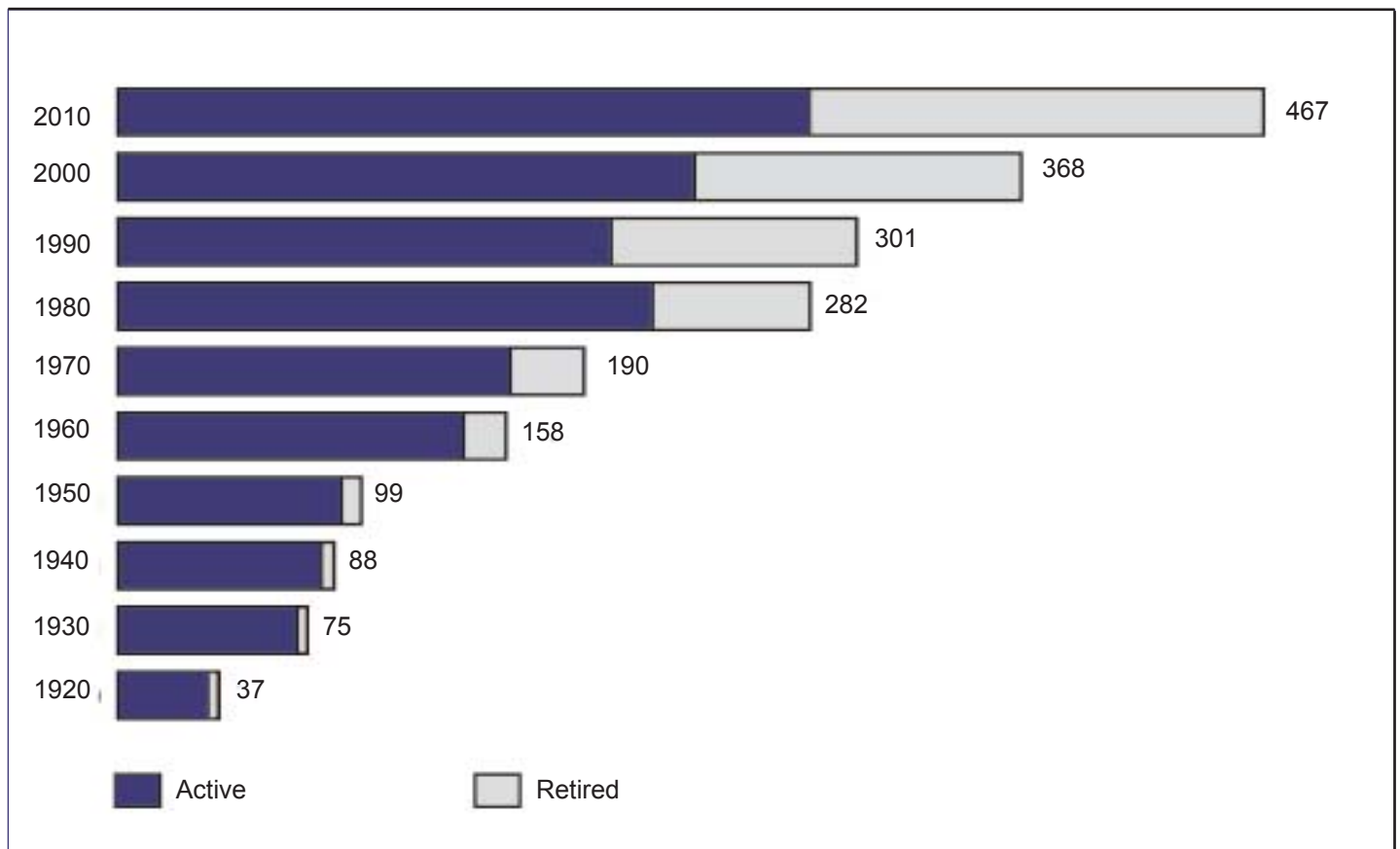
Benefit Payments (Amounts in Billions)

Highlights on Payment of Benefits:

1. PSERS paid \$5.3 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, 2010.
2. The PSERS current monthly retirement payroll exceeds \$358 million.



Total Membership - Active & Retired (in Thousands)

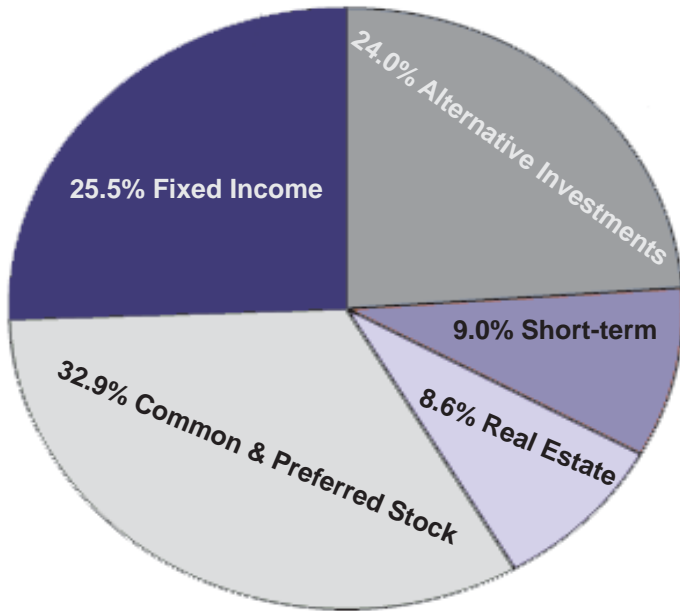


Highlights on Membership Statistics:

This bar chart is based upon actuarial valuation statistics through June 30, 2010. PSERS' newest member population totals show the number of retired members and survivors/beneficiaries now to be approximately 185,000 and the active contributing membership to be approximately 282,000.

From 2001 to 2010, the retired membership has increased by approximately 39.4% and the active membership has increased by approximately 15.9%.

Investment Portfolio Distribution at June 30, 2010 (Fair Value)



Highlights on Investments:

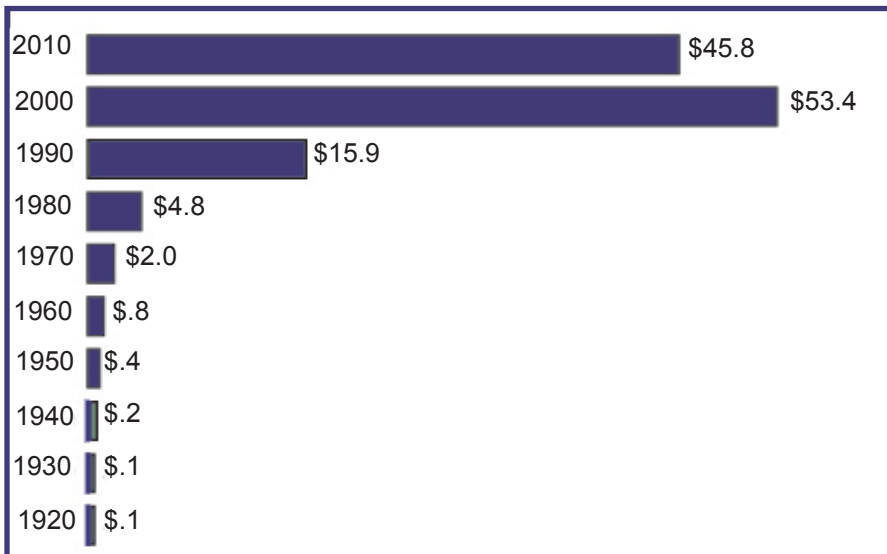
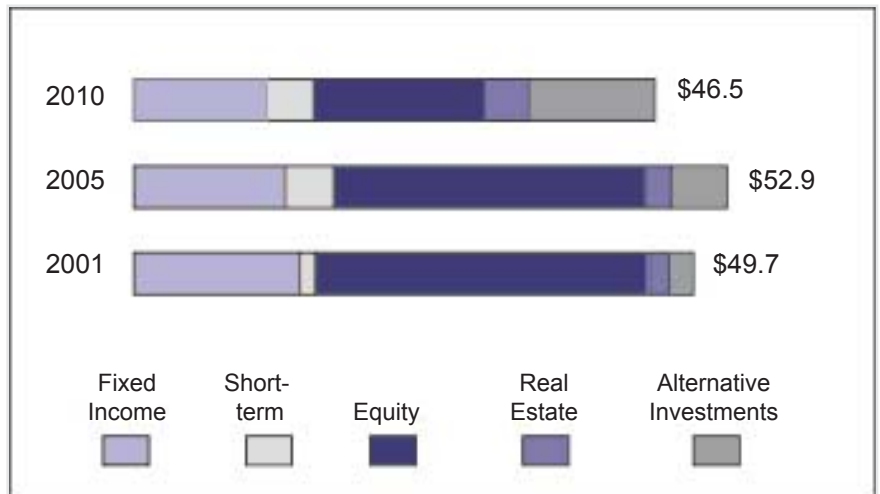
The five largest individual domestic common and preferred stocks in PSERS' domestic portfolios (in millions) as of June 30, 2010 were:

	Fair Value (\$)
Security Capital Preferred Growth	194.9
Exxon Mobil Corporation	113.2
Apple Computer, Inc.	92.6
Microsoft Corporation	70.7
Procter & Gamble Company	68.9

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

Highlights on Investments:

1. In 2001, PSERS' investments at fair value were \$49.7 billion compared to 2010's \$46.5 billion.
2. PSERS' fixed income investments were 26% and 30% of the fair value of PSERS' total investments in 2010 and 2001.
3. PSERS' investments from 2001 to 2010 has shown a reallocation from equities to real estate and alternative investments.



Net Assets Available for Benefits (Amounts in Billions)

PSERS is the 17th largest state-sponsored public defined benefit pension fund in the nation and the 27th largest among public and corporate pension funds in the nation.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Years 2010, 2005, and 2001 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2010	\$ 79.1	\$ 58.3	\$ (20.8)	73.7%
2005	\$ 61.1	\$ 51.2	\$ (9.9)	83.7%
2001	\$ 47.9	\$ 54.8	\$ 6.9	114.4%

* 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 - Measurement used to show PSERS' progress toward funding pension obligations.

Condensed Statement of Plan Net Assets as of June 30, 2010

<u>Assets:</u>	(In Millions)
Receivables:	
Contributions due from members and employers	\$ 451
Investment receivables and other miscellaneous receivables	614
Total Receivables	1,065
Investments (at fair value)	46,505
Securities lending collateral pool	1,524
Capital assets	19
Total Assets	49,113
Liabilities:	
Benefits and other accounts payable	651
Investment purchases and other liabilities	1,100
Obligations under securities lending	1,524
Total Liabilities	3,275
<u>Net Assets - held in trust for pension and postemployment healthcare benefits</u>	\$ 45,838

**Condensed Statement of Changes in Plan Net Assets for Year Ended June 30, 2010
(In Millions)**

<u>Net Assets - held in trust for pension and postemployment healthcare benefits at beginning of year, July 1, 2009</u>	\$ 43,207 (A)
Additions During the Year:	
Contributions from members and employers	1,815
Net investment income	6,115
Total Additions	7,930 (B)
Deductions During the Year:	
Benefits and refunds paid to members	5,269
Administrative expenses	30
Total Deductions	5,299 (C)
Change in Net Assets held in trust for pension and postemployment healthcare benefits (B) - (C)	2,631 (D)
<u>Net Assets - held in trust for pension and postemployment healthcare benefits at end of year, June 30, 2010 (A) + (D)</u>	\$ 45,838

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 the PSERS website, www.psers.state.pa.us, or call 1-888-773-7748 for a copy.

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 terminate all public school employment. Also, the employee must have met one of the following 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 at termination.

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 he or she was 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 occurs when a school employer grants a Special Sick Leave and the employee is willing to delay the start of retirement benefits. 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 or other employer sponsored program.

If the employer grants the Special Sick Leave, then the employer must decide 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 or she remained in school employment during this one year of leave.

The employer will remit both the employee and the employer contributions to PSERS.

Discontinuing Contributions to PSERS

If the employer chooses to discontinue making 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 or when the purchase is made. If the employee does not or cannot return to school

service, he or 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.



PSERS 2011 Monthly Annuity Payment Dates & Calendar

January							February							March							April								
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S		
					1				1	2	3	4	5			1	2	3	4	5						1	2		
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							30	31																					

Please wait until the 10th of the following month before contacting PSERS about a missing payment.

Electronic Transfer Date (Payment should be available in your financial institution by 9:00 a.m. Payments in the form of a paper check are generally mailed no later than this date.)

State Holiday (PSERS Offices Closed)

**PSERS
5 N 5th Street
PO Box 125
Harrisburg PA 17108-0125**

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