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Your 1099-R for Federal Taxes

The Internal Revenue Service (IRS) *Form 1099-R* is used to report your 2011 federal taxes. This form will be mailed to all PSERS retirees in late January 2012.

The *Form 1099-R* is to be used by you for the preparation of your annual federal income tax return. The form shows a breakdown of the money you received from PSERS during the previous calendar year, as well as the federal income tax withheld, the Investment in Contract recovered during the year (if applicable), and appropriate distribution code.

This year, there is a change to the information provided on the *Form 1099-R*. **The IRS is requiring PSERS to include your complete social security number on the *Form 1099-R*.** In the past, PSERS had only the last four digits of your social security number appear.

If your monthly benefit is sent via direct deposit or electronic transfer, please remember to keep your home address and name current with PSERS for the mailing of your *Form 1099-R*. Not having your address up to date

will not only delay receipt of your *Form 1099-R*, but it also may temporarily suspend receipt of your monthly benefit payment. Your address change should be sent by early December to ensure your *Form 1099-R* is sent to the correct address.

If you do not receive your copy by February 10, you should contact PSERS for a duplicate copy.

If you have an PSERS online Interaction account, you can obtain a copy through Interaction. It's not too late to sign up for an Interaction account through the PSERS website at www.psers.state.pa.us, to obtain copies of your *Form 1099-R* once it becomes available for tax year 2011. You may also obtain copies of the *Form 1099-R* from previous years, as well as retirement income verification under the Benefit Summary selection.



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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.

Southcentral Regional Office Moving

The PSERS Southcentral regional office will be moving this winter. Details have not been finalized.

Before you decide to visit the Southcentral office, currently located in Mechanicsburg, PA, please refer to our website, www.psers.state.pa.us, under the Regional Offices button on the left-hand side of the web page, or contact the office at their toll-free phone number, 1-888-773-7748, extension 5675.

The Southcentral office serves PSERS members who worked for employers in Adams, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry and York Counties.

Look for updated information in future newsletters.

PSERS Receives Investment Industry Award

Over this past summer, PSERS was named the “2011 Large Public Plan of the Year” during the 9th annual Hedge Fund Industry Awards presented by Institutional Investor. PSERS beat out three other states (California, Texas, and Missouri) to earn the award.

PSERS was recognized as a large public pension fund that excelled in its innovation, achievements, and contributions to the Hedge Fund industry during 2010. PSERS hedge fund investments are part of its Absolute Return program, which has contributed greatly to PSERS recent superior investment performance. For the one year period ended March 31, 2011, the Absolute Return program returned 15.99 percent.

PSERS directly invests in hedge funds with SEC registered institutional-grade managers that provide complete transparency and liquidity to PSERS. By investing with these types of hedge fund managers, PSERS avoids much of the negative effects of hedge funds that are typically noted in the media. PSERS hedge funds investments increase PSERS diversification of its assets and are uncorrelated from PSERS other investments, which helps to decrease overall investment risk.

From the Desk of the Executive Director

“Behind the Scenes at PSERS”

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

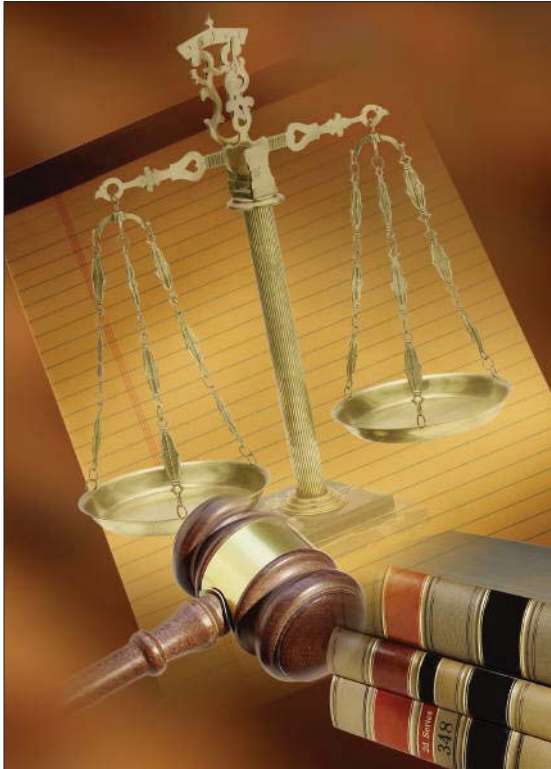
Over my next few columns I will be taking you on a tour of PSERS organization and structure, focusing on various departments and offices in the agency. My goal is to give you a look at what occurs “behind the scenes” in some of the System's lesser known offices and departments. While you may have a general understanding of the Agency through your dealings with the PSERS Member Service Center or by reading the

Agency's publications or newsletters, there are other areas of the Agency that work diligently on your behalf and often without great recognition.

One of those areas is PSERS Office of Chief Counsel. This office provides legal services to the Agency through a team of professional personnel under the Governor's Office of General Counsel. It is currently comprised of seven lawyers and four support staff. Each

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year the PSERS legal team represents the Agency in numerous administrative hearings and other litigation matters, including class action and securities litigation. They also draft and negotiate hundreds of PSERS investment and administrative contracts each year and provide counsel on a wide



variety of issues, including the interpretation of the Retirement Code and the Right-to-Know law. In 2010, the PSERS legal staff closed 34 cases and drafted and negotiated 167 investment and administrative contracts.

An area of particular interest in the Office of Chief Counsel is securities litigation. As a large investor in public markets, PSERS participates in securities litigation both

actively and passively. This type of litigation typically involves some type of fraud or misrepresentation in certain documents issued by public corporations that, when the truth comes out, causes a loss to shareholders, such as PSERS.

An example would be where a company continually reports the value of certain assets at an inflated value that the company knows is false, which induces investors to purchase the company's shares at the inflated price. When the company's shares drop sharply as a result, a shareholder or multiple shareholders may then pursue litigation to recover their losses or damages, either individually or as part of class of all investors who sustained a loss.

The PSERS legal staff, along with Investment and Accounting staff, actively monitors all litigation commenced involving PSERS investments, and when there is a recovery (usually by settlement), makes certain a claim is filed on the Systems' behalf, through PSERS' Class Action Revenue Recovery Program (CARRP). From Fiscal Year 2008 through June 30, 2011, PSERS CARRP recovered nearly \$61 million dollars

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PSERS Board of Trustees Meeting Schedule

December 9, 2011
January 20, 2012
March 9, 2012
April 27, 2012
August 9, 2012
October 5, 2012
December 7, 2012

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 Book, PSERS Executive Office at 1-888-773-7748, extension 4617.

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Local Calls
717-787-8540
FAX
717-772-3860**

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

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

From the Desk of... (continued from page 3)

through class action lawsuits, in which PSERS is active or passive, or by an individual lawsuit.

The most common source of recovery is where PSERS, as a shareholder, is automatically a member of the class in all class actions covering a period when PSERS owned shares and lost money as a result of the alleged misrepresentation or fraud of the company. Therefore, if a settlement is reached in the class action lawsuit, PSERS, as a member of the class, will receive a proportionate share of the settlement. An example of a well-known class action lawsuit by shareholders involved Enron. In the Enron class action lawsuit, PSERS was a member of the general class in the lawsuit and received its proportionate share (in excess of \$15 million) of damages according to the general settlement terms of the lawsuit.

In some rare cases, PSERS may choose to opt out of the general class action lawsuit and file its own individual lawsuit against the corporation. This typically occurs in cases where PSERS losses were significant and the Board determines it may recover more and gain better settlement terms in an individual lawsuit than if PSERS remained as part of the class.

For example, in early 2011 PSERS opted out of a class

action lawsuit against Citigroup and filed its own individual lawsuit. That case, as of the printing of this newsletter, remains active in the Court of Common Pleas of Philadelphia County.

Finally, in some cases where PSERS losses have been significant, PSERS will apply to the Court to serve as lead plaintiff in a class action lawsuit. A lead plaintiff represents the interests of the entire class and is responsible, with its counsel, for the overall litigation strategy and terms of a potential settlement.

PSERS only applies to serve as lead plaintiff in a case after a thorough detailed examination of its investment losses are shown to be substantial, and the Board determines it to be beneficial to PSERS to serve as lead plaintiff.

PSERS has only applied and been granted lead plaintiff status in two cases since 2003. The most recent case occurred in June 2011. PSERS was named lead plaintiff in a case involving Bank of America, a case based on misrepresentations of the value and the handling of the mortgages in that bank's portfolio.

In my next column I will provide a closer look at PSERS' Office of Financial Management, which includes the General Accounting Division, Annuitant Accounting and Budget Division, and the Investment Accounting Division.

Points to Remember - Regarding Your 1099-R

Different Total on *Form 1099-R* than What You Received

Your *Form 1099-R* tax form lists the "Gross Distribution." This is the amount before any deductions are taken from your payment(s). You may be comparing the gross amount figure to the "net" amount. The net amount is the amount you actually received after all deductions were taken and, if you are receiving premium assistance payments, before the premium assistance amount was added.

Receipt of Multiple Forms

You may receive more than one *Form 1099-R* for the tax year depending on your benefit selection. The IRS requires that PSERS report different types of retirement payments on separate forms, as the payments require different distribution codes. If you recently retired and had PSERS roll over taxable contributions and interest for you, you should receive at least two (2) forms for the tax year in which the rollover occurred.

Changing Your Federal Withholding

You may change your federal withholding rate at anytime. To change your federal withholding rate, you must complete, sign, and submit a *W-4P* form to PSERS. You may obtain a *W-4P* by printing a copy directly by selecting Forms on the PSERS website, www.psers.state.pa.us. The form is also available through the IRS website, www.irs.gov, or by contacting PSERS or the IRS.

PSERS offers a Tax Calculator to assist you with the completion of the *W-4P*. This calculator is located under Tax Calculator on the PSERS website, www.psers.state.pa.us.

State and Local Taxes

Please keep in mind that as long as you are a resident of Pennsylvania, your PSERS benefit is not subject to Pennsylvania state and local taxes. If you reside in another state, your PSERS benefit may be subject to state and local taxes. PSERS does not maintain information on the tax liabilities in other states. You need to contact that state's revenue department for more information.

Commonwealth Email Address Changes

As a part of the Governor's commitment to ensuring the openness and accessibility of state government, the Commonwealth has added "@pa.gov" as a primary email domain for Commonwealth employees (i.e., jdoe@state.pa.us is now jdoe@pa.gov).

The Governor's Office of Communications reports that making this change is in keeping with current online norms, and thereby matching the Commonwealth's main website address (www.pa.gov) with the Commonwealth employees' email addresses.

Email contact with PSERS should now be directed to -

ContactPSERS@pa.gov

The PSERS website address at press time remains -

www.psers.state.pa.us

Your PSERS Member Newsletters

Please keep in mind when you read the PSERS *Retired Member Newsletter* 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 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.

Vogler Re-elected by Acclamation

There will be no active Certified Member election in 2011 as only one candidate, Melva Vogler, submitted the required election forms/petitions. She was "elected by acclamation" for a term of three years by the PSERS Board of Trustees, in accordance with Section 46 of Robert's Rules of Order.

Ms. Vogler, current PSERS Board Chairman, has served as a trustee since 1994. She teaches mathematics at Wallenpaupack High School, earned a Bachelor's Degree at Susquehanna University, and a Master's Degree at Marywood University. Ms. Vogler has been President of National Council of Teacher Retirement Systems (NCTR) and served on the Executive Committee of the Council of Institutional Investors (CII). For 15 years, Vogler served on PSEA's Board of Directors as Northeastern Region President and is currently President of the Wallenpaupack Education Association.



Melva Vogler and her husband, Harold, have two children, Robert, a teacher and Carol, an auditor.

Disability Earned Income Limitations

In early January, PSERS mails an *Annual Earnings Statement* to retirees under superannuation age who receive a PSERS disability retirement benefit. These retirees must provide PSERS with their annual earnings information.

This statement must 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). For a Class T-C or Class T-D member of 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, 2011. On May 28, 2011, 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 2009, 2010, and 2011.



Direct Deposit or Electronic Transfer of Monthly Annuity

You must complete the ***Authorization for Direct Deposit - Electronic Transfer of Monthly Benefit*** (PSRS-116) form if you wish to have your monthly benefit payment sent directly to your financial institution or if you wish to change accounts and/or financial institutions.

PSERS can deposit your monthly benefit payment into your checking or savings account. We cannot deposit your payment into a money market account.

The form can be printed directly from the PSERS website at ***www.psers.state.pa.us***, or you may contact PSERS to receive a copy of the form.

It may take up to 8 weeks or longer to make this change. If you are changing accounts and/or financial institutions, **PSERS strongly recommends that you do not close the old account until your monthly benefit payment is deposited into your new account.**

Returning to Service After Retirement

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.

Whether you are hired for a full-time position or as a substitute teacher to fill in for the day, please keep in mind the rules of employment in a Pennsylvania public school for a PSERS retiree. Employment of a PSERS retiree should only occur if:

- An emergency or shortage of personnel arises.
- You are employed under separate contract by a Pennsylvania public school in an extracurricular position, and your duties are performed primarily outside regular instructional hours and not as part of the mandated educational curriculum.

A bona fide break in service is a 90-day break in service between termination and re-employment without a pre-arranged termination and re-employment agreement.

Employers must make the effort to first consider a non-retiree before hiring a retiree for any position. PSERS has the right and may conduct investigations into instances of employers hiring retirees when other options may be available. The employer will be required to provide documentation to PSERS to support the need to employ a retiree in an emergency or shortage position.

An emergency or shortage of personnel is a situation in which there is an increase in

the workload and creates a serious impairment of service to the public; or there is a shortage of appropriate subject certified teachers or other personnel. If this exists:

- ✓ The retiree may work throughout the school year (July 1 – June 30) provided the emergency or shortage remains in effect and the employer is unable to fill the position with a non-retiree.
- ✓ The emergency cannot exceed the school year. The employer must justify and document the reason for an extension and why the position could not be filled by a non-retiree.

PSERS expects the employer to make a good-faith effort to fill a position with a non-retired individual before employing a retiree.

An extracurricular position is defined as a position in which the job duties must be performed primarily outside regular instructional hours and not as part of the mandated educational curriculum. Additional rules apply:

- ✓ The employment must be under a separate contract.
- ✓ The written contract

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Returning to Service After Retirement (continued from page 8)

must include a waiver of any potential retirement benefits.

Employment in an extracurricular position does not require the existence of an emergency or shortage. The *Retirement Code* specifically allows for extracurricular administrative positions and positions that do not work directly with students. (For example, an athletic director is eligible for the extracurricular designation.)

Employment in a Community College or Public University

Emergency employment at any of the state's community colleges, Penn State University, or the 14 state-owned universities is not common as there are generally many qualified people to fill the vacancy. The college or university can simply choose not to offer the course that semester.

The same emergency rules apply with regards to recruitment efforts and the length and nature of emergency. There must also be a bona fide break in service from all Pennsylvania public school employers and no pre-arrangement for employment with the college or university prior to retirement.

Approved post-retirement employment with one of these employers is based on a retiree's eligibility to elect an

alternate retirement plan. Some plans, such as State Employees' Retirement System (SERS) and TIAA-CREF, have membership requirements based on the number of hours or days the employee works. If you do not meet the requirements to join these or another retirement plan, your PSERS benefits will be suspended.

If you are receiving a retirement benefit based on combined

does not maintain membership eligibility requirements for other retirement plans.

Employment in a Charter School

Returning to employment after retirement in a charter school is based on the enrollment of the retiree in a retirement plan. Under the Charter School Law (CSL), employees of a charter school must be enrolled in



SERS and PSERS service credit (multiple service), you may not return to employment in a community college or university where SERS is offered as a retirement plan.

A retiree should contact the proposed employer to determine the minimum membership requirements for other retirement plans. PSERS

PSERS unless the employer provides an alternate plan. Some charter schools offer membership in PSERS to some of their employees and provide an alternate plan to other employees. If you are employed in a non-emergency capacity, you will need to be in the charter school's alternate

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Key Points About Returning to School Employment

- Returning to Pennsylvania public school employment after retirement is permitted on an emergency basis.
- The employer is responsible for determining the emergency status and when asked, providing verification to PSERS of this status and the attempts to hire a non-retiree.
- Once an emergency is established, there is no limit to the number of days or hours a retiree may work within a school year. The number, however, of days or hours may not exceed the number of days or hours normally associated with the position. For example, if you were hired as a substitute teacher in May to cover the month of May until the last day of school, you could not work past the last day of school.
- If PSERS finds that you do not qualify for any of the return to service exceptions, your monthly payment will be suspended.
- Employment in a Pennsylvania private school is exempt from any return to service restrictions.

Returning to Service After Retirement (continued from page 9)

retirement plan; otherwise, your monthly pension will be suspended.

Further Information About Returning to School Employment

The information contained in this article is meant to serve as a guide addressing many of the typical circumstances or questions that may arise when one considers returning to public school employment. It does not cover all possible issues and situations.

Additional information is available on the PSERS website, www.psers.state.pa.us.

Questions about returning to service should be directed to PSERS prior to accepting employment. Submit the facts surrounding the terms of employment by letter to PSERS. We will then advise the employer and retiree whether the employment complies with the *Retirement Code*.

If PSERS finds that you do not qualify for any of the return to service exceptions, **your monthly payment will be suspended**. You would then again become an active contributing member of PSERS and the value of your pension would be frozen. This result may not be beneficial to you, because it is more likely that the pension you receive from PSERS is higher than the

income you receive from part-time employment.

Even if the employment ceases immediately, you must again go through the retirement process (complete and submit a new retirement application). During this difficult economy, you may find yourself without employment or retirement income for several months.

For these reasons, suspension of monthly benefits is not anyone's desired outcome.

For more detailed information on return to service exceptions, you may also refer to the PSERS publication, ***PSERS Return to Service Guidelines and Clarifications***, found on our website under Publications, or contact PSERS for a copy.

PSERS 2012 Monthly Annuity Payment Dates & Calendar

January							February							March							April						
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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
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Public School Employees' Retirement System
Important Information from the
Commonwealth of Pennsylvania