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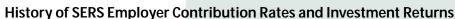
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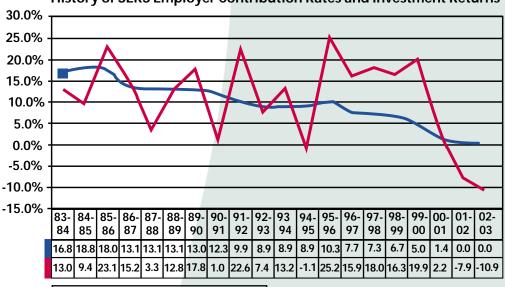
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Important News about SERS Funding

Although the past few years in the investment markets have taken a toll on Fund performance, as of December 31, 2002, the Fund enjoyed a fully funded status of 107.2%, which means that the actuarial value of its assets is more than the actuarial value of its liabilities. Measured over 10 years, SERS has achieved an 8.4% average annual return, despite last year's loss of 10.9%. As of the first half of 2003, the SERS Fund's investments have returned approximately 8.5%.

SERS works to diversify the Fund broadly, and, under the supervision and guidance of the Board, the Fund is well positioned to ensure that members receive the financial security that they have earned. The Fund is sound today and proper investment and funding programs are in place to maintain the retirement plans through various market conditions. SERS' audited financial statements can be obtained from the SERS web site www.sers.state.pa.us under Publications or by contacting the SERS Communications Office at 717-787-9657.





Actual Employer Contribution RatesInvestment Return

www.sers.state.pa.us

SERSNews is a publication of the Pennsylvania State Employees' Retirement System and is distributed for the information of SERS active members, annuitants and beneficiaries/survivors.

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Submit comments and suggestions regarding the newsletter to:

Attn. Editor at SERS.

Available on audio tape. Printed on recycled paper using soy-based and non-toxic inks.

Notice about Disability Retirement to **All SERS Plan Members**

As a reminder, the State Employees' Retirement Code provides that if you are an active member who can no longer perform your job duties because of injury or illness, you may be eligible for disability retirement benefits.

To qualify for disability retirement, the SERS Code requires you to file your application for disability retirement while you are working, on paid leave or on leave without pay. In addition, you must have at least five years of credited service (State Police and enforcement officers are immediately eligible), and you must provide medical evidence to support your disability application, indicating that you are unable to perform your current job. Based on your application and your medical evidence, SERS' medical examiners will make a recommendation to the State Employees' Retirement Board about your qualification for disability retirement.

Your SERS Retirement Counselor can provide you with a disability retirement estimate and the medical forms that must be completed before your application for disability benefits will be reviewed.

If you are considering applying for disability benefits, you should contact your SERS Retirement Counselor at 1-800-633-5461 to sign the Disability Retirement Application prior to terminating from your agency.

For more detailed information on applying for disability retirement, download a copy of the SERS pamphlet on How to Apply for Disability Retirement (SERS-152) from our website www.sers.state.pa.us or request a copy from your Retirement Counselor at 1-800-633-5461.

Modifies its Death Benefit Policy

In the past, SERS paid the "number of days payment" upon the death of a SERS annuitant to the person or persons listed on the most recent Nomination of Beneficiary Form in the annuitant's file at the time of the annuitant's death. The "number of days payment" is the amount payable for the portion of the final month of the annuitant's life when there is no remaining lump sum death benefit payable from the annuitant's SERS account.

Under its new policy, SERS will pay the "number of days payment" to the annuitant's estate, or if there is no estate, to the annuitant's next of kin. SERS has changed the policy because it has determined that the estate, or in the absence of an estate, the next of kin, is the rightful payee. SERS will send the appropriate information and forms to the annuitant's address of record upon notification of the annuitant's death.

www.sers.state.pa.us

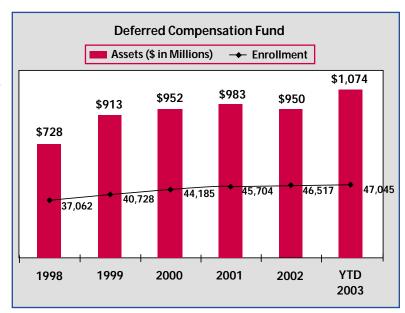
DeferredCompensation News

Effective August 1, 2003, Great West Life Family of Companies became the new Third Administrator for the SERS Deferred Compensation Program. Great West replaced CitiStreet as the primary record keeper, enroller, and administrator of the Program. The services provided by Great West are similar to the services that CitiStreet provided. However, enhancements include reduced participant fees and new 'Profile' funds. In addition, limited investment advice will be provided by Advised Assets Group (a subsidiary of Great West), through Financial Engines (www.financialengines.com), an independent contractor.

We are looking forward to working with Great West, and are confident that you will view these enhanced services as additional opportunities to continue to save for your retirement. To contact Great West, call their toll-free number at 1-866-sers457, or use the fully interactive web site at www.sers457.com.

The change in policy will help SERS to reduce the administrative costs of making small payments upon the death of a SERS annuitant and to make the payments more efficiently.

Please keep in mind the importance of updating your address and beneficiary information each time that a change is required. If you have general questions regarding this change in policy, please contact your local SERS Regional Retirement Counseling Center at 1-800-633-5461.



egislative pdate

During the course of every two-year legislative session, dozens of retirement-related bills are introduced though very few ever become law. As of the end of June 2003, the Pennsylvania Senate and the House of Representatives had introduced approximately 50 retirement related bills, which covered topics including COLAs, early retirement, and purchase of service.

Members should rest assured that SERS will notify them of the passage of legislation impacting their retirement benefits or retirement eligibility. For more information about retirement related legislation, visit www.sers.state.pa.us and click the Legislation link.



Phase 2 of Act 2002-38 (a COLA for eligible retired members of SERS) became effective July 1, 2003 and was for annuitants who retired after July 1, 1990 and before July 2, 2002. The first phase was effective July 1, 2002 and was for annuitants who retired before July 2, 1990. Class AA, T-D, and D-4 members, and the beneficiaries and designated survivors of any retired SERS members were not eligible for the COLA. Approximately 38,000 annuitants are receiving the Phase 2 COLA.

To receive the COLA, members must have satisfied one of the following requirements:

- Retired after reaching normal retirement age (age 50 or 60, depending on SERS membership class) or with 35 years of service
- Retired early, but reached normal retirement age after July 1, 1990 and before July 2, 2002
- Were receiving a disability retirement

Date of Retirement	Pct. Increase
7/2/1990 - 7/1/1994	9.00%
7/2/1994 - 7/1/1998	7.50%
7/2/1998 - 7/1/1999	6.35%
7/2/1999 - 7/1/2000	4.87%
7/2/2000 - 7/1/2001	3.08%
7/2/2001 - 7/1/2002	2.27%

For members who retired early and did not reach normal retirement age before July 2, 2002, the COLA will become effective the July 1st following with the date they reach normal retirement age or the date they would have attained 35 eligibility points if they had continued to work.

Website Calculators

Generic Calculator - produces unofficial future retirement estimates for new members and those who are considering State employment. Click on the Benefits Calculator link on the home page to use it.

Federal Tax Withholding Calculator - allows retired members to estimate how much federal income tax to withhold from their gross monthly SERS pension checks. Click on the Benefits Calculator link on the home page to use it.

Interactive Custom Calculator - allows members to prepare a quick and easy calculation of their estimated benefits for current and future retirement dates by pulling current account information into the calculator. Click on the Benefits Calculator link on the home page to use it, as illustrated below.

SERS Member Retirement Calculator MARY E ACTIVE Member Name Member Birth Date 05/02/1962 Member Gender @ Male @ Female Survivor Birth Date (Optional) OWNEDWAY! Survivor Gender (Detinat) C Male C Female Special Percentage to Survivor (Optional) Anticipated Retirement Date ge49377770 20.5000 Total Years Service Current Final Average Salary (FAS) \$66,584.45 \$66,584.45 Projected Final Average Salary (FAS) 37.5 Normal Weekly Work Hours (1-50) Account Balance - Member's Money \$46,206.58 \$0.00 Account Debts

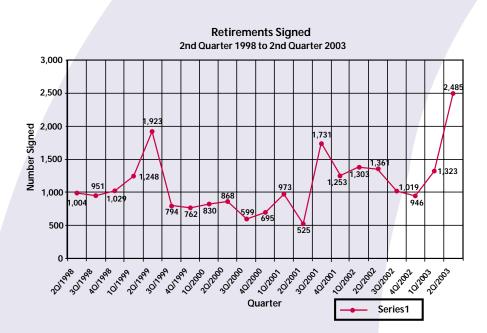
about Processing Retirements OFFIC received more than 2,000 retirements

In May and June of 2003, SERS received more than 2,000 retirement applications, three times the normal level of activity. SERS is processing the retirement applications as quickly as possible, with the intent to process all retirements within twelve weeks of receipt of all required information, such as final payroll information, multiple service information (if applicable), and other employer/employee information.

Once SERS processes your account, you will receive your initial letter providing you with the breakdown of your retirement benefit and payment information. Your check will be mailed within two weeks after you receive your initial letter.

SERS is also currently processing more than 2,600 requests to purchase service by actuarial debt. Requests that relate to pending retirements will be handled first.

The large number of applications to retire and purchase service represents a fraction of the number of SERS members who have superannuated (have reached either age 50 or 60 with at least three years of service or have earned 35 years of service credit) and therefore, are eligible for an unreduced retirement benefit. 8.000 Approximately Commonwealth employees who fall within the governor's superannuated jurisdiction have and approximately an additional 7,000 will superannuate within the next five years.



ight-to-Know Law News

The Pennsylvania Legislature has amended the Right-To-Know Law to require agencies, including SERS, to make public records available to Pennsylvania residents upon request in electronic form, if they exist electronically. Previously, public records only had to be provided for inspection at SERS headquarters or in paper form. Electronic public records are much easier to use than paper versions. Requesters or others to whom the requesters deliver the information (e.g. private companies) might use information obtained and solicit SERS members for business purposes.

The recently adopted Right-to-Know-Law Policy has replaced SERS' previous Policy on Public Information. Unlike the prior policy, the new policy does not identify certain types of records as public and non-public. However, it is SERS' interpretation that certain information, including but not limited to the names, years of service, and salary (among other information), of most members are public records. Contact your Regional Retirement Counseling Center at 1-800-633-5461 or visit www.sers.state.pa.us to learn more about Right-to-Know Law under About SERS.

Obligationsof SERS Members

During Your Career

- Carefully examine the annual Statement of Account that SERS sends to all active members each spring. Ensure the personal information is accurate.
- Keep your home address current with your employer.
- Stay informed by reading the materials SERS sends to you.
- Be sure your beneficiary form on file with SERS is current. (Contact your Human Resources Office to update your life insurance beneficiary.)

Considering Your Retirement

When planning for retirement, consider when the best time for you to retire will be. Remember: If you are applying for a disability retirement, you must file your application prior to termination.

- Contact your Regional Retirement Counseling Center several months in advance of your anticipated retirement date to request a retirement estimate.
- Retiring at the end of a calendar quarter could increase your final average salary.
- Retiring at the end of the year causes your leave payouts and your retirement lump sum withdrawals to occur early in the next year.
- Retiring at the end of a pay period helps expedite the payment process.
- Review your estimate letter thoroughly and contact your counselor to make a counseling appointment.
- If you are actually retiring within the next month, and you want your lump sum withdrawal to be directly transferred into another qualified plan, please take your Authorization for Direct Rollover of Taxable Payment form (SERS-254) to your financial institution to complete and return to your Regional Retirement Counseling Center. The SERS-254 can be obtained from your Retirement Counselor or downloaded and printed directly from the SERS web site.
- Direct deposit of your monthly annuity checks is also available.

- Prior to attending your counseling session, review all of your options. Bring proof of date of birth documents for you and your designated survivor.
- Request to purchase State or nonstate service at least 6 months prior to retirement.
- Schedule an appointment with your counselor to sign retirement documents approximately 30 days prior to your date of retirement.

When you attend your counseling session, you are welcome to bring with you your spouse or financial planner or any other trusted person.

Remember, once you have filed an application to receive retirement benefits and have terminated employment, you will be deemed to have irrevocably selected such benefits and no change shall be permitted. Annuitants who retire under Option 2 or 3 may change their option in the case of the death of the named designated survivor or divorce or marriage after retirement.

Your Responsibilities At Retirement

- Give your employer written notice in accordance with its policy.
- Make appropriate arrangements to settle any employer debts, such as overdrawn leave.
- Seek professional tax or financial advice.
- Contact the Social Security Administration, if applicable at 1-800-772-1213 or www.ssa.gov.
- Contact your Commonwealth Deferred Compensation administrator, if applicable, for information regarding settlement of your account.

After You Have Signed Your Retirement Documents

- SERS will send an Agency Notification Letter to your former employer.
- It takes APPROXIMATELY 8 TO 10 WEEKS from your termination date to receive your initial retirement payment(s) from SERS.
- Your "after-the-fact" pay (if applicable) is normally paid 2 weeks after your termination.