

# SERS News



## Steer Clear of Investment Scams *New page on SERS Web site can help*

Federal and state regulators across the country are reporting new evidence of widespread investment fraud targeting seniors. Just last month the SEC and officials in seven states unveiled results of a joint investigation into fraudulent “free lunch” investment seminars.

The best way to protect your hard-earned retirement benefit from investment scams is to be informed. And that is just what a new financial education section on the SERS Web site is to do: provide you with access to expert advice and tips on avoiding scams.

The new page provides links to pages on the Web sites of the Securities and Exchange

Commission and the Pennsylvania Securities Commission that are relevant to retirees and – of particular concern for SERS – to those planning to retire.

“Most of our retiring members choose an option that allows them to withdraw a lump sum amount equal to the contributions they have made over the years, plus statutorily credited interest,” said SERS Chairman Nicholas J. Maiale.

“Doing so reduces their pension proportionally, but gives them a substantial sum of money they can invest on their own in an effort to strengthen their retirement security. For employees who have devoted

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## SERS Fund Again a Top Performer Earns 22% in Year Ending June 30

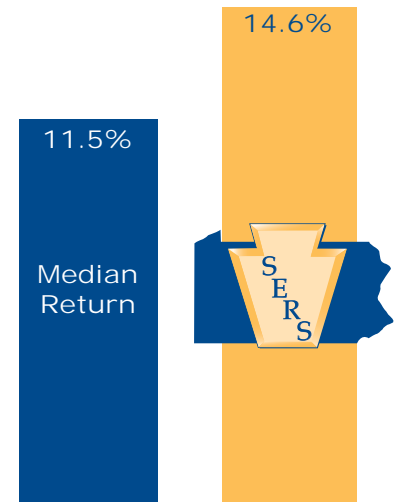
The \$34 billion Pennsylvania State Employees' Retirement System had a return on investment of 11.4 percent in the first six months of this year, and 22.2 percent over the 12-month period ended June 30 – once again placing SERS among the top performing pension funds in the country.

In the March-June quarter alone, the Fund's investments earned 6 percent, Acting Chief Investment Officer John Winchester reported. The performance places SERS among the top five percent of all large public pension funds nationwide for one, three, five and ten-year periods, based on survey data compiled by the Wilshire Trust Universe Comparison Survey (TUCS).

SERS Chairman Nicholas J. Maiale called the performance report “strong evidence of the value of the SERS Board's commitment to a broadly diversified portfolio that can perform well in a range of market conditions.”

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SERS 5-Year Return Compared to the Median 5-Year Return of Large Public Pension Funds



Median Return compiled by Wilshire Trust Universe Comparison Survey (TUCS)

## **Personal Statement of Retirement Benefits In Your Mailbox This January**

Annuitants can expect their *Personal Statement of Retirement Benefits*, including a 2008 Retirement Payment Calendar, in their mailbox this January.

“While this is only our second year to mail statements to our annuitants, this year’s statement will be an even more useful tool with a new Year-End Summary of Account section,” said SERS Office of Member Services Director David E. Durbin. “With a year-end summary, annuitants can use the statement for pension verification purposes should they need to when applying for a loan or other financial matter.”

In addition to the payment calendar and new year-end summary, you will find information about you, the retirement option you selected at retirement, the total

gross annuity payments you received in 2007 and the amount you instructed SERS to withhold for taxes, if any, in 2007 in your statement. (For survivor annuitants, the retirement option information lists the retirement option your SERS member selected at retirement.)

Because it is very important that you keep your address up-to-date with SERS, your statement will include an Annuitant Change of Address Form that you can cut out of the statement, should you need it in the future.

While the statement includes information about your federal taxes, it is not intended to be sent to the IRS when you file your taxes. You will receive your SERS-issued 1099-R in a separate mailing in January for tax-filing purposes. 📩

## **Retired Public Safety Employees: You May Benefit At Tax Time From Two Sections of the Pension Protection Act**

Retired public safety employees are encouraged to talk with their tax advisor about a possible reduction in their income tax bill resulting from the following sections of the Pension Protection Act (PPA) of 2006.

### **PPA Section 828 - relating to early distributions of a retirement benefit**

State, Capitol, DRPA, PATCO, SSHE and PSU police officers, Liquor Enforcement Officers and Narcotics Agents may now qualify for a waiver of the 10 percent excise tax normally assessed by the IRS for early distribution of a lump sum retirement benefit from SERS (prior to the retiree attaining age 55) not rolled into a traditional Individual Retirement Account (IRA) or other eligible plan. This waiver applies to distributions after August 17, 2006 for retirees who terminated service in the calendar year in which they attained age 50 or older.

### **PPA Section 845 - relating to retirement benefit distributions withheld for health insurance**

Members who retired from service as a “public safety officer” as defined by the PPA and are either receiving a disability retirement benefit or retired after Normal Retirement Age (age 60 or 50 depending on the member’s class of service, or any age after earning 35 years of credited service) may be eligible for an exclusion from gross income of up to \$3,000 of their pension benefit. The exclusion applies to monies withheld for health insurance premiums paid directly by SERS to the health insurance provider beginning in tax year 2007.

**Note:** SERS Retirement Counselors can not determine your eligibility for a specific tax reduction. The above information is provided to inform you of possible tax reductions to which you may be eligible. Contact a tax advisor with questions regarding your individual eligibility. 📩

SERS retirement benefits are payable on the last working day of each month. For annuitants who receive their annuity payment by direct deposit, the money is deposited into the bank account you requested on the last working day of each month. For annuitants who receive their annuity payments by check through the mail, SERS mails all checks on the next-to-last working day of each month. Your checks should arrive in the mail within 10 business days.

## Domestic Relations Orders: File Early to Avoid Retirement Application Delays

Under Pennsylvania law, SERS retirement benefits are subject to attachment by Domestic Relations Orders (DRO) to pay spousal support, child support and equitable distribution to one or more Alternate Payees.

The Retirement Code sets out the information that a DRO must include to attach a SERS retirement benefit. No DRO is effective until SERS receives a certified copy of that order and approves it for compliance with the law, and no payment will be made under the DRO until you retire or die.

“It’s important for SERS members to know that we cannot honor a DRO until we receive a certified copy of that DRO and determine that it satisfies the Retirement Code’s requirements. Photocopies of court orders are not enough. After we have received a certified copy of a DRO, reviewed it and approved it, we always notify the member and the Alternate Payee or their attorneys in writing,” says SERS Counsel Salvatore Darigo. “If the DRO needs corrections or clarifications, it’s easier and less expensive to get things taken care of if the DRO has been entered relatively recently,” said Darigo. “If you wait until you’re ready to retire to have SERS review your DRO, you run the risk of significantly delayed benefit payments or a denied application for retirement benefits.”

Once you or your lawyer submit a certified copy of your DRO to SERS, it takes about 8 to 12 weeks to receive a notification that the DRO has been approved or an

explanation of why SERS cannot approve your DRO. If you are close to retirement or if your application for benefits is pending, SERS will make every effort to expedite the approval process but cannot guarantee that your DRO will be approved before the effective date of your retirement. If you have submitted a certified DRO, and neither you nor your attorney has heard from SERS after eight to twelve weeks, you should contact SERS’ Legal Office at 717-783-7317.

Guidelines for drafting a DRO, as well as a Sample DRO, are available on the SERS Web site, [www.sers.state.pa.us](http://www.sers.state.pa.us), under “Forms,” and at your Regional Retirement Counseling Center. You are strongly encouraged to seek the advice of an attorney

“If you wait until you’re ready to retire to have SERS review your DRO, you run the risk of significantly delayed benefit payments or a denied application for retirement benefits.”

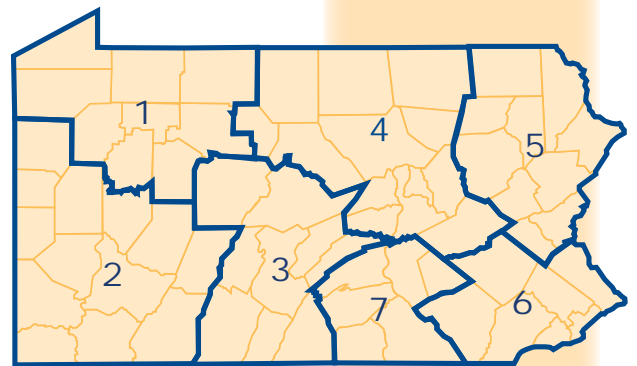
*SERS Counsel Salvatore Darigo*

if you are involved in a divorce or support action. If you or your attorney have questions about DROs or would like to have a draft DRO reviewed before submitting it to the court, please contact the SERS Legal Office at 717-783-7317. 📌

## Fund Performance - from page 1

That diversification continued to serve the Fund well in more recent months, as global investment markets turned turbulent in July and August, then rallied by the time the third quarter of the calendar year was drawing to a close in September.

Final numbers for the quarter were not available in time for this edition of the SERS News, but Mr. Winchester said, “Despite all the negative market events in July and August, the quarter is ending with the SERS Fund’s performance still solidly positive for the calendar year to date, and on track to continue meeting our investment goals.” 📌



SERS has seven Regional Retirement Counseling Centers throughout the Commonwealth serving active members based on their work location, and retirees, Survivor Annuitants and Beneficiaries based on their residence location.

Retirement Counselors are available in each center to answer questions you may have about your retirement benefit. You can reach your Retirement Counselor by calling 1-800-633-5461.

**New**

**Financial Education ▶**  
Resources to help protect you from investment scams and plan for retirement

Visit [www.sers.state.pa.us](http://www.sers.state.pa.us) and click on the Financial Education graphic:

Among other things, you'll have access to information on:

- Variable Annuities and Variable Life Products: Questions to Ask
- 10 Dos and Don'ts for Investors
- PA Securities Commission List of Scams for 2006

their careers to state service, the amount they withdraw can easily total tens of thousands of dollars.

“Many have never before had such a large amount of cash to invest, and wisely seek out expert advice. Unfortunately, in addition to the many well-qualified

experts available to help them, there are some who are only interested in profiting at the retirees' expense. The products they sell may contain hidden fees or restrictions, may not be as described or may simply not be appropriate for the individual.

“Our hope is that our members will use this new Web page to educate themselves regarding the choices available to them, the questions they should ask and the most common scams.”

The new page, which can be accessed from the SERS homepage by clicking on the “Financial Education” graphic in the right-hand column, also provides members with access to additional information on their SERS retirement benefit, the Commonwealth's Deferred Compensation Program and Social Security.

### SERS Board

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