

SERS News



www.sers.state.pa.us

SERS Fund Performance Turns Positive With \$1.1 Billion Gain In Three Months

Employer Contributions Still Projected To Spike

Earnings on the SERS Fund investments returned to positive territory in the second quarter of 2009, with a gain of 5.6% -- approximately \$1.1 billion -- in three months, raising the Fund value to \$22.6 billion as of June 30.

The results, reported at the SERS Board meeting last month, "offer encouraging evidence that the SERS Fund is beginning to recover from the global economic collapse that began in the latter half of 2008 and continued into the first quarter of this year," said SERS Chief Investment Officer John Winchester. And "preliminary results also look positive" for the three months ended September 30, Mr. Winchester said, although official performance numbers for the most recent quarter are not yet available.

Despite this good news of positive returns, SERS is still looking at a very big increase in employer contributions, starting in the very near future.

As detailed in the last edition of the *SERS News*, several factors contribute to the increase, including legislation that put off making up for the earlier 2001-02 bear market losses, the 2001 Act 9 benefit enhancement and the 2002-03 COLA. All those things, together with the 2008 losses, have created a big debt or "unfunded liability" of \$3.8 billion that must be paid.

The current employer contribution rate is 4% of payroll -- a rate that is artificially low due to Act 2003-40, which changed the amortization schedule of gains and losses. The low current rate is contributing to the problem. SERS' actuary projects that by 2012-13, employers will be paying about 30% of payroll. Right now employers are paying a little over \$200 million a year, but by 2012, employers will be paying nearly \$2 billion. And once rates go up, they are projected to stay high far into the future. These projected rate increases would impose a severe budgetary burden on our employers.

Will This Affect My Benefit?

As an existing member of SERS your retirement benefit is an obligation of the Commonwealth as outlined in the Retirement see Projected Rate Spike - page 2

Inside

Retired Member Area

Mailing Dates

Scheduled:

2009 Tax

Documents and

Personal Statement

2

Counseling Corner

We Have Your Address ...

But Is It *REALLY* Correct?

3

SERS Announces New Services

New!

SERS is pleased to announce two new notification services to help members understand key eligibility milestones in their SERS membership: Vested status and Normal Retirement Age/Date.

The notifications are sent to the member's home address on file with SERS. In order to benefit from this service, members must keep their home address current with their employers. (see "We Have Your Address ... But Is It *REALLY* Correct," pg. 3)

Vested Status Notification

This notification is mailed to members when they have earned five years of Credited Service which means they are Vested or

see New Services - page 4

SERS retirement benefits are payable on the last working day of each month. For Annuitants who receive their payments 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 payments by check through the mail, SERS mails all checks on the next-to-last working day of each month and your check should arrive in the mail within ten business days.

Mailing Dates Scheduled For Annuitant 2009 Tax Documents and Personal Statement

SERS is once again at work preparing for the two individualized mailings it sends to Annuitants each January – your **1099-R** tax document and your **Personal Statement of Retirement Benefits**.

Form 1099-R

Your 2009 form **1099-R** is scheduled to mail by **January 15, 2010**. Annuitants who received a retirement benefit payment from SERS in 2009 will receive a **1099-R** form listing information about that payment. You will need this document to complete your 2009 Federal Income Tax return. Some annuitants will receive more than one **1099-R** if they received more than one type of payment, for instance if they received a payment as a Beneficiary on another member's benefit and monthly annuity payments from their own retirement benefit.

Personal Statement of 2009 Retirement Benefits

Your personal statement is scheduled to mail by **January 22, 2010**. Annuitants who received any number of monthly annuity payments in 2009 will receive a personalized statement.

The statement lists the retirement benefit payment option you selected at retirement (for Survivor Annuitants, the option the SERS member selected at retirement) and a year-end summary of your 2009 payments including the amount of money you instructed SERS to withhold for taxes in 2009 and the amount of money deducted for health insurance premiums, if any.

In addition, the statement details how the withholding tables issued by the IRS for 2010 and deductions for health insurance premiums in 2010 will affect your monthly payments beginning in January. You will also find a 2010 payment calendar listing the dates monthly checks are mailed and direct deposits are issued in your statement.

Carefully Review Your Mailings

Please allow two weeks after the scheduled mail dates for delivery of your mailings. When you receive your documents, please review them carefully. If you have any questions regarding either document, contact your Retirement Counselor at 1-800-633-5461. 📩

Projected Rate Spike - from page 1

Code, and by law must be paid regardless of what happens with SERS investments or employer contribution rates. Your benefit is determined by a formula that takes into consideration your Years of Credited Service, Class of Service and Final Average Salary – not investment returns or employer funding levels.

In addition, as a SERS member, you have a contractual right to your pension benefit. The courts have held that changes to the benefit formula for existing members, such as decreasing the “multiplier” or increasing the member contribution rate without the member's consent or a benefit enhancement constitutes an impairment of the members' constitutionally protected right to the terms of the pension contract. While the benefit formula is protected for existing members, the formula could be changed for future members to help reduce future costs to the system. Reducing future costs will not affect the existing unfunded liability that must be paid.

Can The Rate Spike Be Smoothed?

There are any number of different things and combinations of things that can be done to smooth out the rate increase to make it a little more manageable for employers -- and ultimately taxpayers. As this newsletter is coming together, the Legislature and Rendell Administration are finalizing details of the state's general fund budget; once the budget is finalized, we expect the Legislature will focus more attention on the pension funding issue. 📩

Member Change of Address Form

- Complete this form and mail to: SERS Disbursements Section, 30 N 3rd St, Suite 150, Harrisburg, PA 17101-1716.
- Please print clearly

Member Information				<input type="checkbox"/> Survivor/Beneficiary	<input type="checkbox"/> Alternate Payee	<input type="checkbox"/> Retiree	<input type="checkbox"/> Active Member
Last Name		First Name			MI		
Your Phone Number () -		Your Complete SSN - -		Member's Complete SSN - -			

New Address		
Street Address		
City	State	Zip+4

Statement of Authorization	
I hereby authorize the Pennsylvania State Employees' Retirement System (SERS) to change my mailing address to the new address I've provided in the <i>New Address</i> area of this form. I understand that this change of address will not alter any Direct Deposit arrangements I may have. To start or change the Direct Deposit, a new <i>Direct Deposit of Annuity Payments (SERS-123)</i> form must be completed.	
Annuitant/Payee Signature	Date
Power of Attorney Signature* (When this form is not signed by the Annuitant/Payee.)	Date

*POA or Guardianship papers must be on file at SERS or must be returned with this form

We Have Your Address ... But Is It *REALLY* Correct?

Before you read this article, flip this page over and take a very close look at your mailing address – every letter and every space – and then come back here to continue reading.

Why did we ask you to do that? We continuously strive to provide excellent customer service to our members at the lowest possible cost. One way to do that is to be sure that the addresses we have on file for our members are correct and meet United States Postal Service (USPS) standards for bulk mailing rates. In this manner, members receive information in a timely fashion and SERS can take advantage of lower rates.

We have been working with the USPS to ensure that member addresses in our database meet USPS standards and to correct identified errors. Errors can be as small as adjusting incorrect spacing or misspellings, to as significant as replacing the whole address with a new address provided by the USPS.

Starting this month, we will begin to notify those members whose addresses in our records do not meet USPS standards, and request that the members confirm the address

changes provided by the USPS. We will be as specific as possible about the changes, but at times the changes may be very small and will require you to review the address very closely. While you may not have noticed any problems receiving your mail from us in the past, the USPS requirements are becoming very strict as they work to further automate the mailing system to cut costs. An improperly formatted address could delay your future mailings. If your address is not correct, please complete the above form and return it to us.

Retired Members/Annuitants

If you receive a letter from us concerning a change to your address, please review it and return it to us as soon as possible.

Active Members

Changes to your address must be provided to your employer; here's why: In an effort

see My Your Address - back page

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.



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State Employees' Retirement System
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Harrisburg, PA 17101-1716

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Your Address - from page 3

to keep member information current, employers provide SERS with employee addresses each time they report pension-related payroll information. If we update your address in our records today, it will be overwritten by the data your employer has on file for you when we receive your next payroll information.

If you are employed by an agency that maintains employee information in the Commonwealth's ESS system, you can update your address in ESS.

If your employer does NOT maintain employee information in the Commonwealth's ESS system, please notify your employer's HR office of any changes to your address.

In either case, if you receive a letter from us concerning a change to your address, please review it and return it to us as soon as possible. We will then notify your employer. ▼

New Services - from page 1

eligible to receive a SERS monthly pension. Vested members who terminate Commonwealth employment, are eligible to apply for their retirement benefit or they can choose to "vest their account," which means they defer payments until a later date.

Normal Retirement Age/Date Notification

This notification is sent to members when they reach Normal Retirement Age which means they are entitled to an Annuity that is unreduced by an Early Retirement Reduction.

For more information about these two eligibility milestones, review the *SERS Member Handbook*, available on the SERS Web site (www.sers.state.pa.us) through the "Publications" link, and by calling your Retirement Counselor at 1-800-633-5461. ▼