

SERS News



www.sers.state.pa.us

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Pension Reform Update

On November 26, Governor Corbett's Budget Office released a report about Pennsylvania's statewide public pension systems, including SERS. The report was intended to "advance the dialogue on meaningful pension reform ... with a goal of creating a common framework around which solutions can be structured." Through this report, available at www.budget.state.pa.us, the Governor's Budget Office explains how it will approach pension reform going forward. **Pension reform has not yet occurred and the issuance of this report does not change your current retirement benefit in any way.**

Together, the statewide pension systems—SERS and the Public School Employees' Retirement System—manage about \$74 billion in assets, have unfunded liabilities of about \$41 billion and pay about \$8 billion in total benefits each year—most of which stays in Pennsylvania. The stakes of Pennsylvania's pension reform debate are high—both in terms of the staggering sums

of money involved, as well as in terms of each member's household financial security.

With so much at stake in the pension reform debate and so much interest in the topic from individuals, interest groups, policymakers and others involved, the potential for conflicting information from the media and other sources is significant. As such, we have dedicated a portion of this newsletter to providing you with basic information about SERS and the benefits we paid last year. For instance, the "snapshot" table on pg. 3 provides several data points, like the average benefit paid to SERS retirees last year was about \$24,500. In addition, the map on pg. 5 shows you where SERS benefits are paid, including how much money is paid to members in your area.

We acknowledge that there is some lag associated with a few of the data points we're providing but—because we are entrusted with public dollars—we believe in being accurate and consistent; thus we

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Enhanced Online Member Services

Very soon it will be easier—and more secure—to use the area of SERS' website that allows you to view, save, and print personal information related to your SERS retirement benefit. In the spring, we encourage you to visit www.SERS.state.pa.us, create an account, and explore these areas:

- Your "SERS Summary," which provides a history of information collected over the course of your SERS membership, including your class of service, the amount of credited service you have, your pension-related quarterly earnings and more.
- Your "Annual Statements," which offers a snapshot of your retirement information from one particular year. You can select any year from 1995 through 2012.

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SERS retirement benefits are payable on the last working day of each month.

If you receive your payments by direct deposit, the money is deposited into the bank account you requested on the last working day of each month.

If you receive your 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.

Avoid Possible Delays ... Switch To Direct Deposit Today

Several of you recently reported delayed delivery of your annuity checks. We researched the issue and learned that the United States Postal Service is consolidating operations at 229 locations across the country. As a result, mail delivery may take a little longer than in the past.

If you would like to avoid possible delays of your checks, consider direct deposit.

Through direct deposit, your payment is electronically deposited into your checking or savings account so that you have access to your money on the last working day of each month—in most cases, two to four days earlier than if you receive a paper check.

Direct deposit has proven invaluable for members who travel to warmer climates during the winter months or simply spend time traveling, because their payments are automatically deposited and available for their use even when they are away from home.

In addition, checks lost in the mail or delayed by circumstances beyond anyone's

control, like "Super Storm Sandy," are not considered lost until at least ten working days after the mailing date.

At that time a stop payment is issued by the State Treasury and a new check is produced. This process could delay your monthly annuity payment by as many as 15–20 days.

With direct deposit, there are no delays.

Members who received monthly annuity checks were sent a direct deposit form along with their August 2012 check. As a result, more than 3,300 members switched to direct deposit in less than two months. If you still receive a paper check, isn't it time to join them?

If you are interested in switching to direct deposit, you can download a direct deposit form from www.SERS.state.pa.us (click on "Forms" then "Retired Member Forms") or request a form from your regional retirement counseling center at 1-800-633-5461.

Complete the top portion of the form, have your financial institution complete the bottom and then mail it to SERS. 📧

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are providing you with the same data that we have provided to policymakers and the media throughout the year. The 2011 data points will be updated to reflect 2012 data after we've closed our books for the year and they will be available at www.SERS.state.pa.us when complete.

If you would like more in-depth information about SERS' operations and investment performance than the summary provided here, we strongly encourage you to visit www.SERS.state.pa.us. If you select "Publications" from the left-hand navigation, you can easily access SERS' comprehensive annual financial reports from 1999 forward. You can also view several years of actuarial valuations, reports of actuarial experience, and supplemental budget information. Relatively new additions to the website are *SERS' 2011 Key Financial Results* and our *2012-2013 Strategic Investment Plan*.

It's important to remember that to change your SERS benefit, the General Assembly must pass legislation and the Governor must sign it into law. Many ideas are being considered and will be debated in the coming months. The General Assembly's website, www.legis.state.pa.us, provides useful tools to help you stay engaged and informed. There are a number of ways, for example, that you can identify and contact your elected policymakers. And, because a new session of the General Assembly will convene in January, all pension reform proposals must be introduced (or re-introduced) as legislation in the Senate or House of Representatives. You can use keywords—such as "pension" or "State Employees' Retirement System"—to search for and review such proposals as they are introduced.

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Snapshot

Pennsylvania State Employees' Retirement System

Members 228,552
year end 2011
115,342 retirees and beneficiaries receiving benefits
107,021 active members paying into the system
6,189 vested members not receiving benefits

Average Annuity Paid \$24,448 per year
for those who work to full retirement age

Total Fund Assets \$24.7 billion
as of Dec 31, 2011

Funding Sources \$ 3.3 billion (15.8%) employee contributions
10-year totals as of Dec 31, 2011 \$ 2.0 billion (9.5%) employer contributions
\$15.4 billion (74.7%) investment earnings

Employee Contribution Rate 6.25% of salary, by payroll deduction (for most employees)
PA FY 2012/13

Employer Actual Cost 5.1% of payroll for new employees as of Jan 1, 2011
PA FY 2012/13 21.3% of payroll for the unfunded liability rate
26.4% of payroll, composite rate

Employer Contribution Rate 11.5% of payroll, as suppressed by Act 2010-120
PA FY 2012/13

Number of Employers 107
as of Dec 31, 2011

Ratio of Employer Contributions to PA Benefits Paid 1:6
For every \$1 contributed by SERS employers in 2011, \$6 were returned to the PA economy through payments to retirees and beneficiaries. The six-fold increase results from employee contributions and SERS investment earnings over time.
2011 SERS employer contributions: \$392 million
SERS-paid benefits to PA residents: \$2.4 billion

Investment Returns 2.7% 1-year 8.2% 20-year
as of Dec 31, 2011 6.0% 10-year 10.2% 30-year
unaudited, annualized, net of fees

Funded Status 65.3% with an unfunded liability of \$14.7 billion
2011 Actuarial Report

Key Assumptions 7.50% annual investment return
2011 Actuarial Report 6.20% average total salary/career growth per year
2.75% annual inflation rate

Did You Know?

Insight To SERS Operations

- Paper checks are mailed by the Treasury Department from Harrisburg on the second-to-last business day of each month. Direct deposits are made on the last business day of the month.
- SERS cannot cancel or re-issue a lost or missing check until ten business days have passed from the date printed on the face of the check.
- SERS logs and responds to every member question/concern as quickly as possible in the order in which it is received. Calling about a single issue more than once in a one-day or two-day timeframe can slow down responses to everyone.
- SERS mails *Personal Statement of Retirement Benefits* and *1099-R* tax forms to retired members' homes in January, and a *Member Statement of Account* to active members' homes in March.
- Retiree health benefits are administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF). If you have questions about your health benefits you can call (800) 522-7279 or e-mail benserv@pebtf.org. 📌

Online Services - from page 1

- Your “Pension Benefit,” which explains what the summary and statement information means in relation to your SERS retirement benefit.
- Your “Benefit Calculator,” which imports specific data from your summary and allows you to change factors to develop a rough estimate of your retirement benefit under different scenarios. (Please keep in mind that the calculator is provided for your information only and is not an official SERS estimate.)
- Your “1099-R Forms,” which stores a duplicate copy of the tax form that is mailed to your home if you received a payment from SERS at any time throughout the year. You can download any year from 1995 through 2012.

SERS new online member services are being provided on a more sophisticated technological platform that will allow more flexibility for future upgrades. Unfortunately, there are a couple of unavoidable inconveniences associated with this transition. First, even if you currently have an account to

use SERS online member services, you will need to create a new one. Second, any data—retirement benefit estimates, for example—that you have saved in the existing system will be lost. If you have any such data, you are encouraged to sign-in as soon as possible to print copies for future reference.

On the bright side, SERS is joining forces with several other state agencies by offering you the *Keystone ID* sign-in. No more waiting for SERS to send a password to your home in the mail; you can create an ID and start working within minutes. Not only does the *Keystone ID* provide even more security—the removal of the use of your Social Security Number and the addition of security questions, for example—it also creates a single sign-in for services offered by several different state agencies.

SERS is committed to providing you convenient, accurate service; we hope these online enhancements are useful to you. Over the next year or two we plan to develop even more online services, so check back often and let us know what you think. 📌

SERS has seven Regional Retirement Counseling Centers throughout the Commonwealth serving Active Members based on their work locations, and Retirees, Survivor Annuitants and Beneficiaries based on their residence locations.

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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If legislation passes and the Governor signs a law that alters your retirement benefit, we will communicate changes to you as quickly and completely as possible.

We recognize that among SERS' more than 200,000 members are dramatically varied views about the role of government in retirement policy—including the value of the current pension system vs. proposed alternatives, retirement benefit portability, fiscal responsibility, tolerance of financial risk/debt, tax policy and the like. We encourage you to remain informed and seek out accurate information as this debate unfolds and, as you determine appropriate, to share your individual thoughts, suggestions, opinions, with your elected policymakers throughout this process. ▼

Traveling This Winter?

Please be sure to notify PEBTF and SERS of your change of address when you leave Pennsylvania and when you return. This will ensure uninterrupted health care benefits and the timely delivery of important health care and retirement information.

**PEBTF
1-800-522-7279**

**SERS
1-800-633-5461**