

SERS News



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Fund Earns 11.9% Return in 2010; Plan In Place To Gradually Restore System's Funding

During 2010, the SERS Fund earned an 11.9% net-of-fees return on investments. According to SERS Board Chairman Nicholas Maiale, "This is the second year in a row and the 12th in the last 16, that the Fund has outperformed our actuarially assumed rate of return, currently 8%."

While that is certainly good news, it is important to understand that the 2008 losses continue to drag on the System's funded status, currently 75.2%, and will continue to do so for the next two years. Why is that? Because pension systems are designed to recognize investment gains and losses over the course of several years to help smooth the impact of market shifts on employer funding levels. In SERS' case, investment gains and losses are by law smoothed over five years.

As of December 31, 2010, 60% of the 2008 losses have been recognized in the System's funded status, and the final 40% will be recognized over the next two years.

Further impacting the System's funded status is the fact that SERS has been paying out far more in benefits and refunds each year than it receives in contributions. For more than 15 years, the employer contribution rates have been historically low largely due to the rate-suppressing effect of Act 2003-40; but that period of low rates was about to end abruptly with a steep "spike" in the rate projected for 2012.

Act 2010-120, the pension reform legislation passed late last year, is moderating the rate increase by allowing rates to

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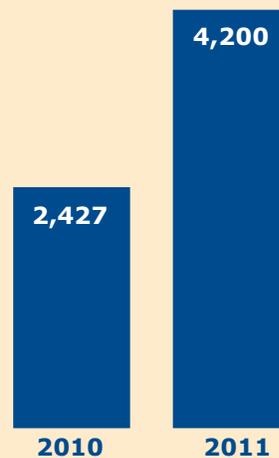
June Retirement Wave Could Delay Retirees' First Payments

SERS is experiencing an unusually high number of member retirements in June. While SERS is making every effort to process the applications as quickly as possible while maintaining our high standard of accuracy, the extremely high volume of cases has created a situation where members could wait longer than normal for their initial Annuity payments.

Regardless of when your retirement application was signed, you can expect to receive your initial Annuity payments approximately 8-10 weeks after your EMPLOYMENT TERMINATION DATE. This is true for both your monthly payment and lump sum withdrawal (if applicable).

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Retirements Through June



Stop Waiting ... For Your Check

Have you ever left for vacation or had to go out of town in an emergency just a day or two before you received your retirement check and then not had access to your money until you returned home? Has your check arrived later than expected due to postal delays or weather issues?

If you had direct deposit, your Annuity payments would be electronically deposited into your checking or savings account, **and you would have access to your money, on the last working day of the month.** You would not have to wait for your check to arrive or until you could cash the check.

Setting up direct deposit of your Annuity payments is safe and easy. The *Direct Deposit of Annuity Payments* (SERS-123) form is available on our website and by calling 1-800-633-5461 and selecting option 3. You will need to complete the top portion of the form, have your financial institution complete the bottom portion and then return the form to SERS at the address on the form.

Generally, it takes between two and three months for new direct deposit instructions to become effective. During this time, a test transaction is sent to your financial institution to ensure that your account and routing numbers are correct. If everything is accurate, your next monthly payment will be deposited directly into your account.

If you change financial institutions, please do not close your current account until your retirement annuity payment has been successfully deposited into your new account. ▼

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.

Temporary Disability Annuitants: New Documentation Supporting Your Disability Required *Annually*

As a temporary disability Annuitant, you need to keep an eye on the calendar in order to provide timely documentation to continue your SERS Disability Retirement Benefit.

About three months before your temporary disability retirement benefit ends, SERS will ask you to submit additional medical documents if you want your disability retirement benefit to continue. The medical documents you submit **must be current and should not duplicate what you already submitted.**

Independent medical examiners will review the documents you submit and make a recommendation to SERS. If the medical examiners determine that you are still unable to do your job, they will recommend that SERS continue your disability retirement benefit on a temporary (one-year) or permanent basis. If the examiners determine that you are able to work or that there

is insufficient evidence supporting your disability, they will recommend that SERS discontinue your disability retirement benefit.

SERS will make a determination based on the medical examiners' recommendation and notify you of that decision.

Current medical documentation supporting your claim must be timely submitted. Untimely submissions can lead to terminated benefits and lapses in PEBTF coverage.

As you approach the end of your one-year disability period, you should prepare to submit the necessary medical records by scheduling doctor appointments, asking your doctor to complete necessary assessment forms and confirming SERS' receipt of the records to ensure that your request for a continuance is timely.

Please call your SERS Retirement Counselor if you have any questions. ▼

Alternate Formats Available For Visually Impaired

If a friend is reading you this newsletter because your vision does not allow you to read it yourself, SERS may have a better option for you.

SERS can provide you with a copy of the newsletter and most other written material in Braille format or as an audio file.

In recent years SERS has provided members with several different publications in Braille format, including retirement estimates, the *Guide for Retiring Members* and personal member correspondence.

If you need a SERS publication in an alternate format, please contact your Retirement Counselor at 1-800-633-5461 or e-mail your request to ra-sersretc@state.pa.us. ▼

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gradually return to unsuppressed levels over the next six years through the use of funding “collars.” Current projections show the rate peaking at 25.9% of payroll in FY 2016/17 and then remaining above 20% through 2027/28 as the System gradually moves back toward fully funded status.

The projected increase in employer contributions is due primarily to the System’s existing unfunded liability – debt that has already been incurred and is a contractual obligation of the Commonwealth. The debt was created by the investment losses resulting from the 2000-2002 bear market and global

economic downturn of 2008, Act 2001-9 benefit enhancements, Act 2002-38 COLA and actuarial adjustments, coupled with the long period of artificially low employer contributions. As such, the unfunded liability can’t be eliminated by further reducing benefits.

Act 120 creates a blueprint to meet the System’s obligations, but as SERS’ actuary Hay Group has explained, “It is essential to the long-term funding of the system that the Commonwealth adhere not only to the short-term collars provided by Act 120 but also to the long-term funding obligations that the statute established.” ▼

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If any of the following situations apply to you, your initial payments could be delayed even further:

- Incomplete retirement paperwork, including your SERS Rollover form and/or acceptable date of birth documentation.
- An unresolved agency debt, including overpayments and/or overdrawn leave.
- A divorce situation where there is a court order to attach your SERS account but your Domestic Relations Order has not been filed with and approved by SERS.

In 2010 SERS processed 4,781 normal and early retirements. This year, SERS expects to receive approximately 4,200 applications for retirement by the end of June – nearly as many as processed last year!

All completed retirement applications are processed in order, based on the date of retirement, without exception. Contacting SERS while waiting for payment will not expedite your payment but will slow the process. ▼

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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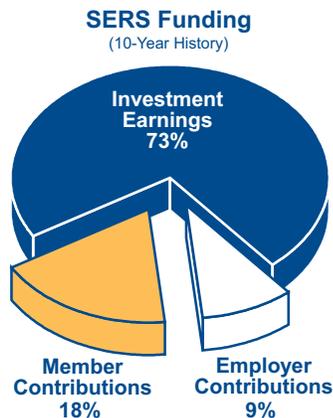
Leonard Knepp, Executive Director

2010 Financial Report Highlights

The complete 2010 **Comprehensive Annual Financial Report** (CAFR) is available on the SERS website, www.sers.state.pa.us, in the Publications area.

Growth in Annuity Payroll

	Dec. 2010	Dec. 2009	Dec. 2008
Monthly Annuity Payroll	\$174 million	\$166 million	\$159 million
Retirees	111,713	109,639	108,146



System Membership

	2010	2009
Retirees and Beneficiaries currently receiving benefits	111,713	109,639
Terminated members entitled to benefits but not yet receiving them	6,326	6,190
Current Active Members	109,255	110,107
Total members	227,294	225,936
Number of participating agencies	106	106