

Members & Benefits

231,633

total SERS members

120,052

retirees & beneficiaries
receiving benefits

105,186

active members paying
into the system

6,395

vested members not yet
receiving benefits

\$25,839

average annual annuity paid
in 2013, to those who worked
to normal retirement age

\$2.8 billion

total benefits paid in 2013

Each year, SERS publishes a comprehensive annual financial report and “snapshot” fact sheet. Both are available at www.SERS.pa.gov.

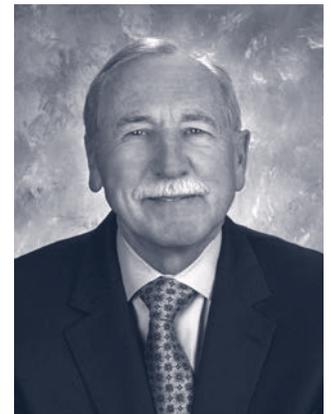
Some facts are excerpted and provided throughout this newsletter.

Most data is as-of December 31, 2013. See the publications for details and citations.

SERS WELCOMES NEW LEADERS

After nearly 30 years on SERS’ board—22 as chairman—the Honorable Nicholas J. Maiale resigned in January. Chairman Maiale was appointed by Governors of both political parties and, under his guidance, the SERS fund grew from less than \$10 billion to the roughly \$27 billion that it is today. We thank him for unparalleled dedication and service to our system and its members. Since stepping away from the board, among other things, Nick has found time to enjoy his interest in international travel. We wish him well.

Moving into the crucial role of chairman was current SERS board member Mr. Glenn E. Becker, an alumnus of Drexel University and president of The Swarthmore Group, a Philadelphia-based investment firm that specializes in asset management for institutional investors.



Mr. Becker has developed extensive investment and customer-service expertise over a long career that includes work with firms such as Morgan Stanley and Miller Anderson & Sherrerd. Glenn is also active in his community. Among other volunteer work, Mr. Becker co-founded Impact Thrift Stores Inc., a nonprofit entity dedicated to raising funds for local charitable organizations.

The board vacancy, then, was filled by Mr. Stephen S. Aichele. Mr. Aichele is currently a partner at Saul Ewing LLP where he has previously served in roles including managing partner and firm chairman. From 2011 through 2013, Steve served Governor Tom Corbett first as General Counsel then as Chief of Staff. Among other important experiences, Steve served his country through active duty in the U.S. Navy, eventually retiring with 25 years of service from the U.S. Naval Reserve at the rank of captain.

We welcome Mr. Becker and Mr. Aichele to their new roles at SERS and thank them for their service.

Costs & Contributions

5.0% of payroll

cost to employers to pay for retirement benefits earned by SERS members in 2014

20.5% of payroll

amount employers will contribute to SERS this year to pay for retirement benefits earned this year as well as accumulated debt

31.41% of payroll

amount employers would be paying for retirement benefits earned this year and accumulated debt, if contributions were not capped by PA Act 2010-120

13.6%

net-of-fees investment return achieved by the SERS Fund in 2013

7.4%

annualized, net-of-fees investment return achieved by the SERS Fund over 10 years

8.4%

annualized, net-of-fees investment return achieved by the SERS Fund over 20 years

9.7%

annualized, net-of-fees investment return achieved by the SERS Fund over 30 years

PUBLIC PENSION DEBATE CONTINUES

As is clear by the extensive and ongoing news coverage, pension reform is still being actively considered in Harrisburg. We are working to provide timely, accurate information about SERS and our members to state policymakers in this debate.

There are currently no viable proposals that would change benefits of retired SERS members, already-earned benefits of active SERS members, or future benefits of active SERS members, so long as they remain continuously employed with a SERS-participating employer.

We are closely monitoring legislative activity and we will notify you if a law is enacted.

SERS ISSUES ANNUAL FINANCIAL REPORT

As is our annual practice, SERS' financials have been audited by an independent firm and we have made a wealth of data—about our members, the contribution's we receive, the benefits we pay, our investments, the fees we pay, and more—available on our website.

KPMG performed an independent audit of SERS' 2013 financial statements, which are prepared in accordance with generally accepted accounting principles. Their audit includes tests and procedures reasonably designed to assure that SERS' financial statements are free from any material misstatement and are fairly presented. As is our standard practice, independent auditors have full and unrestricted access to SERS' board to discuss their findings regarding the adequacy of SERS' internal controls and the integrity of SERS' financial reporting. We are pleased to report that SERS has again received an unmodified opinion in 2013.

SERS is not legally required to produce a comprehensive annual financial report; we do so in the interest of transparency and accountability. We strongly encourage you to read about how your pension contributions are managed. To help you get started, some excerpted facts are provided in this edition of SERS News.

WE'RE WORKING HARD TO SERVE YOU BETTER

Last fall, more than a thousand SERS members responded to a survey and shared thoughts about what they find most valuable—as well as most frustrating—about our services. We took your comments to heart and hope that you're noticing that we have been making a number of important changes throughout 2014.

Early in the year, you received a simplified member statement. In recent months, we've streamlined the telephone menu and launched a new public website, including an upgrade of the estimate calculator and custom reports available through SERS online member services. Among our goals for these projects have been to reduce the amount of confusing jargon and to make it easier for you to get accurate information quickly and easily.

Perhaps the most important change this year so far was the relocation of our counseling center from Hazleton to Wilkes-Barre in May. If you are an employee who works or a retiree who lives in Carbon, Lackawanna, Lehigh, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, and Wyoming counties, please change your records to reflect:

**Pennsylvania State Employees' Retirement System
Wilkes-Barre Regional Counseling Center**

15 Public Square, Suite 410
Wilkes-Barre, PA 18701

Toll-Free Phone 800.633.5461
Local Phone 570.829.0632
Fax 570.829.0629

STILL AN OPEN ISSUE: HOME ADDRESSES AND THE RIGHT-TO-KNOW LAW

We heard concerns from many of you last fall when we notified you that Pennsylvania courts had ruled that home addresses are generally considered public information and that SERS had received a request for our members' home addresses under Pennsylvania's right-to-know law.

As we notified you at the time, SERS released some of the requested records, as required by law, but denied access to the records of most SERS members. The requester appealed our partial denial and the Office of Open Records ordered us to release additional records.

Both SERS and the requester have appealed the Office of Open Records order and the matter is currently before the courts. No additional SERS member addresses have been provided and the timeframe for resolution is uncertain.

In the meantime, you are reminded that it is your obligation to make SERS aware of any situation that you believe may qualify for an exception under the law. Right-to-Know Law Disclosure of Home Address Exception Documentation forms are available at www.SERS.pa.gov and by calling 1.800.633.5461.

The SERS Fund

\$27.4 billion

total fund assets

\$17.9 billion

actuarial unfunded liability

\$3.4 billion

contributed by SERS members over the past 10 years (13% of total contributions)

\$3.2 billion

contributed by SERS employers over the past 10 years (12% of total contributions)

\$19.7 billion

contributed by SERS investments over the past 10 years (75% of total contributions)

\$119 million

expected member and employer contributions per month in 2014

\$251 million

expected benefit paid per month in 2014 (difference to cover payments comes from investment income)

PURCHASING MILITARY SERVICE: DELAYS IMPLEMENTING NEW LAW

Effective January 1, 2013, Pennsylvania Act 2012-181 amended the State Employees' Retirement Code to change the way SERS is required to handle certain types of military leave. The legislation brought state law into compliance with a number of federal laws, including the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act), and provisions of the Internal Revenue Code.

The law prompted the development of new administrative processes between SERS and employers for crediting military leave, resulting in a significant backlog here at SERS. Please accept our apology if you have been affected by this work.

Going forward, military-related re-employment requirements and leave administration will be managed by your employer's HR staff. They will tell SERS when military leave is approved, the dates of the leave, and if the leave is covered by USERRA or not.

Starting late this year, we will begin sending an "Invoice of Amount Due" to each member who has completed a USERRA-covered military leave of absence that commenced after the enactment of Act 181. If you need to purchase military service and are planning to retire or leave state employment in the near future, please call your retirement counselor at 1.800.633.5461.

Invoices are designed to provide a great deal of detail about each affected member's specific situation and explain that military time can be credited to your retirement account by paying the retirement contributions that you would have paid if you had been at work. For service purchases associated with USERRA leave, no interest is charged and, after paying in full, the time is treated just like the rest of your state service for the purposes of calculating your pension upon retirement.

In accordance with USERRA, however, you must make such payments in the lesser of five years or three times the length of the leave. If you decide not to pay the contributions or do not make payments within the required timeframes, you cannot purchase this military service later.

REMEMBER!

It is important to ensure that you always have an up-to-date beneficiary nomination form on file with SERS. Unlike other retirement programs, your SERS pension does not include specific spousal rights. If you don't have a form on file, we will pay your estate any death benefit that may be due. You can download a form at www.SERS.pa.gov or call 1.800.633.5461.



pennsylvania

STATE EMPLOYEES' RETIREMENT SYSTEM

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The Honorable Robert W. Godshall

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Mr. Oliver C. Mitchell, Jr.

The Honorable Joseph Rocks

WATCH FOR PA TREASURY ENVELOPES

SERS pension checks are printed and mailed by the PA Treasury, which has just upgraded its computer systems. Direct deposit payments will still be credited on the last working day of the month and checks will still be mailed on the next-to-last working day of the month.

In the past, however, checks were mailed in envelopes with SERS' return address and out-of-state checks were mailed one day earlier than checks to in-state destinations. If you receive your pension payment by check, you will notice that it will now arrive in an envelope from the PA Treasury and, if you live outside Pennsylvania, you may notice a difference in delivery date.

If these items cause you concern, please consider signing up for direct deposit. You can download a form at www.SERS.pa.gov or call 1.800.633.5461.