PUBLIC EMPLOYEES' RETIREMENT FUND
INDIANA

MEMBER UPDATE
AUGUST 2002

MESSAGE FROM THE EXECUTIVE DIRECTOR
E. WILLIAM BUTLER

"The beauty of a defined benefit pension plan like PERF is that the Fund takes the risk for market fluctuations."

I am pleased to report that the Fund's Call Center is now open for business. After weeks of intense training, our customer service team began answering calls and helping members with questions about their Fund accounts. We are happy to be able to provide you with a "live person" to answer the phone.

I want to mention, again, that the Board of Trustees has focused on improving service to our members and their employers. You will read about some of these continuing improvements, but I want to point out a few.

- **Estimated Benefits** The Board has set a target of getting a payment of 85% of the estimated benefit to a person within 30 days of retirement (See article on next page).
- **New Member Handbook** We are rewriting the handbook that is given to new members.
- **Web Site Enhancements** Our web site is not only becoming more attractive and more informative, but also easier to use.

Finally, I would like to say something about the recent flurry of news concerning corporate misdeeds. Revelations of irregularities in the accounting practices of some companies have sent their stock prices down and driven a few to bankruptcy. As I mentioned in an earlier Member Update, the Fund held some of these securities and our portfolio suffered some losses in these companies, as they fell in value.

It is important to emphasize, however, that the retirement benefits that are promised to you as a member will be there when you retire. Your benefit plan is composed of two parts – the defined benefit pension and the Annuity Savings Account.

The beauty of a defined benefit pension plan like PERF is that the Fund takes the risk for market fluctuations, which means the pension benefit—calculated at 1.1% of final average salary multiplied by your years of service—will be paid regardless of what happens in the market. The Annuity Savings Account, on the other hand, as with any defined contribution plan like a 401(k) or an IRA, fluctuates in value with its investments. Your pension benefits will not be affected, but your Annuity Savings Account may suffer some loss, depending upon how you have chosen to invest your account.

The Fund is taking every measure available to it to protect your assets and to recover any moneys that were lost as a result. We have joined with other institutional investors seeking legal action against responsible parties and have expressed our feelings to Congress that it move to adopt new legislation that will strengthen the protections of retirement assets and prevent abuses in the future.

IN THIS EDITION:

Estimated Benefits	2
Call Center	3
New Member Guide	3
ASA Deferral Option at Retirement	3
Change in the Guaranteed Rate	4
GFOA Award	4

IF YOU ARE ABOUT TO RETIRE, PERF HAS GOOD NEWS FOR YOU!

PERF is implementing an initiative that will shorten the period of time between when a new retiree receives their final paycheck from their employer and their first PERF benefit check. This new initiative, provided for in state law, is an estimated benefit based on the information we have at the time you retire.

THE "OLD WAY"

Historically, when a member submits their retirement application to their employer, the employer would forward that application on to the Fund for processing. PERF staff would first check the application for completeness—making sure all the information was correctly entered, and the application signed. The staff would then contact all of the member's previous employers, asking them to sign a document certifying the member's last day of work, salary and wages as of the last day of work, and the amount the employer will contribute to PERF on behalf of the member. Once we receive the certification, staff then calculates the actual years of creditable service.

Once all of the above items were completed, a check, representing 100% of the pension benefit (including the Annuity Savings Account) is sent to the member. As you can imagine, the process of getting precise information can be time consuming and often takes 60 to 90, and in some instances, 120 days.

In an effort to begin benefits to members in a more timely fashion, PERF has implemented a new processing program.

THE "NEW WAY"

Now, under the new program, when a member submits their retirement application, PERF staff will, once again, review the application for accuracy and completeness. If the application is complete, and our initial review of the files suggest the member meets the eligibility requirements to receive benefits, then PERF will send the member a check based on 85% of the *anticipated* monthly pension amount (minus the Annuity Savings Account).

PERF will continue sending that retiree estimated benefit checks until the remainder of the retirement application process has been completed (employer verification, creditable service review, and receipt of a report listing employer's contribution). When the entire process has been completed, the retiree will then receive 100% of their retirement benefit, the Annuity Savings Account, and a one-time "make-up" payment representing the 15% of the benefit not paid.

This is good news for those people who will be retiring because they will not have to wait a long period of time before they start receiving their retirement benefits from PERF.

If you have any questions about this new program, please contact us.

CALL CENTER TAKES BIG STEP TOWARD IMPROVED CUSTOMER SERVICE

On May 15th, PERF opened its first Call Center dedicated to serving members of the Fund. Our Customer Service Representatives are responsible for providing world class customer service to all members, and eventually all employers. We hope you agree the implementation of the call center is another positive step in our efforts to improve our service to you.

Initially, the call center will only be handling active and retired member calls. However, with a little time and training, we hope to expand this service to our employers, as well. In addition to the phone service the call center also provides service to the hearing impaired via a TDD device, as well as allows our members to send us e-mail questions via our web site.

Equally as important, the call center allows other functional areas within PERF to focus their efforts on providing faster turnaround time for retirement benefits, refunds, and other vital member and employer services.

We have stripped out the cumbersome layers of the old automated attendant as part of the implementation to minimize the number of prompts you will hear before reaching a live person at PERF. With the implementation of the new attendant, members will only have to select one prompt in order to be connected with a Customer Service Representative.

We welcome you to call and "test drive" our service. Please keep in mind our phone volume capacity is limited. We have had great success early on in keeping up with the volume on a day-to-day basis, and while we are excited to be up and running, call volumes are cyclical. If you happen to call us during a peak time you may experience a slight delay. Please be patient, or try your call a little later. We are confident that you will find us to be much more customer friendly and easier to access.

The hours of the Call Center are 8:00 A.M. – 5:00 P.M. Monday through Friday.

NEW MEMBER GUIDE COMING THIS FALL

PERF is currently working on a full-scale revision of the Fund's Member Handbook. An interim revision to the handbook is now in production to include recent plan provision changes, but a completely new member guide is scheduled for completion near the end of the year. The guide will include new and enhanced discussions on the PERF benefits structure and how it affects you as a member at different stages of your career.

A.S.A. DEFERRAL AT RETIREMENT

Along with the initiative to pay estimated benefits at retirement (see page X), retirees will have the option of electing to defer withdrawal of the Annuity Savings Account (ASA) balance at retirement.

In the past, retiring members were forced to withdraw their Annuity Savings Account balance from PERF at retirement, whether it was as a supplement to their pension, a rollover to an IRA, or in a lump-sum distribution.

Members now have the ability to leave their ASA balance invested in the self-directed investment options of PERF at the time they retire, which allows the account to continue to grow. This is important because, as a member, you can continue to benefit from the investment options that PERF offers until you are ready to take the money.

However, keep in mind, that IRS regulations require members to begin withdrawing their Annuity Savings Account balance by the time they reach the age of 70 ½.

If you have further questions, please contact us.

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GUARANTEED FUND

Change in the Interest Crediting Rate

At the June meeting of the PERF Board of Trustees, the interest crediting rate for the Guaranteed Fund was announced for the Fiscal Year Ending June 30, 2003. As reported in the mailing of the most recent quarterly statement of account, the interest crediting rate has been lowered.

For the past five years, PERF has seen unprecedented growth and the Guaranteed Fund rate has been a consistent 8.25%. However, in light of the downturn in the economy, the rate that will be applied to the Annuity Savings Account for the Guaranteed Fund remained at the 8.25% *annual* rate for the first quarter (June 30, 2002) and will be lowered to an *annual* rate of 7.75% for the remainder of the fiscal year.

The Board is evaluating the process of establishing the rate for the Guaranteed Fund. As a result, PERF will be conducting an asset liability study and an audit of the actuarial assumptions used in determining the rate. The successful completion of these two evaluations will help ensure adequate funding of the Guaranteed Fund in the future.

PERF RECOGNIZED FOR EXCELLENCE IN FINANCIAL REPORTING

PERF is committed to providing our members and employers with financial statements of the highest quality and integrity, especially in light of the recent controversies surrounding the corporate financial reporting of companies like Enron and WorldCom.

The Government Finance Officers' Association (GFOA) has awarded PERF with the Certificate of Achievement for Excellence in Financial Reporting for the Fund's 2001 Comprehensive Annual Financial Report. You can view this document on the Fund's web site at ***www.perf.in.gov***.

GFOA is the professional association of state and local finance officers in the United States and Canada. It has served the public finance profession since 1906 with a rigorous standard of achievement, which stands as best practice in public finance.

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