



Electing Your Membership Class

Class T-G, Class T-H, or Class DC

As a school employee who first became an active member of PSERS on or after July 1, 2019, you are automatically enrolled as a Class T-G member. Class T-G is a hybrid of both a Defined Benefit (DB) and a Defined Contribution (DC) component for a retirement benefit, which will be explained shortly. You have a limited election period of 90 days to decide if you would like to remain in Class T-G or elect another hybrid membership, Class T-H, or a defined contribution only membership, Class DC.

Your election is irrevocable, whether it is made by action or inaction.

This presentation addresses new members only. If you are a current Class T-C, Class T-D, Class T-E, or Class T-F member who is active on July 1, 2019, you will have a one-time opportunity from September 1 through November 30, 2019, if you would like to change to the new membership classes. Current members are required to receive one-on-one phone counseling if they are considering a new membership class. Please contact PSERS Member Service Center at 1.888.773.7748 (Monday- Friday 8:00 a.m. – 5:00 p.m.) to discuss this opportunity.

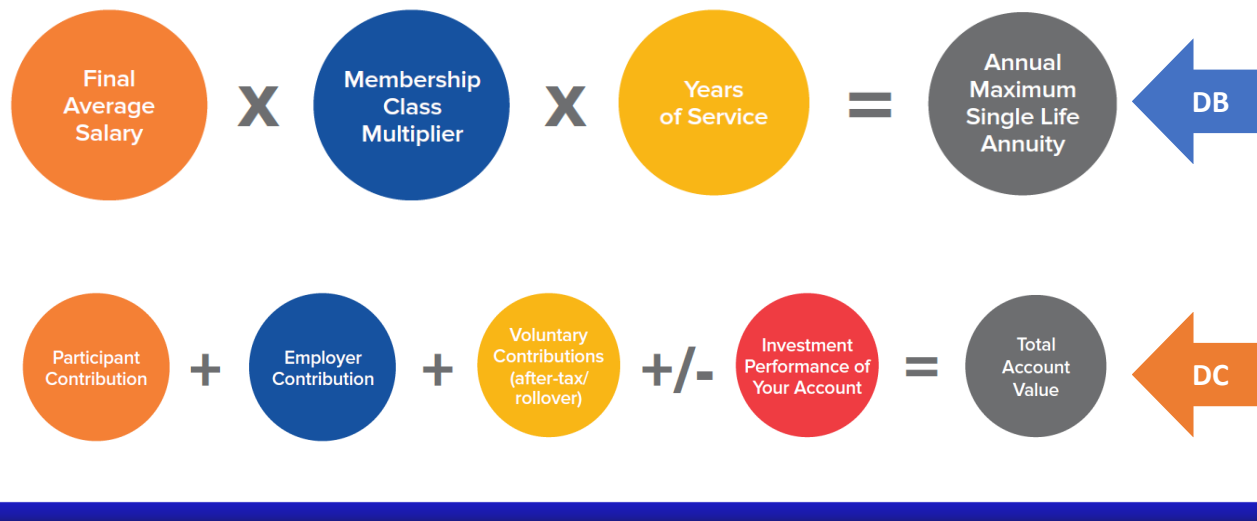


Agenda

- Overview of PSERS Defined Benefit (DB) and Defined Contribution (DC) Plans
- Comparisons of Class T-G , Class T-H, and Class DC
- Election Process
- Contacting PSERS



PSERS Defined Benefit Plan and Defined Contribution Plan Differences



The **Defined Benefit (DB)** component of your retirement guarantees you a lifetime monthly benefit based on the following formula:

Final Average Salary x Membership Class Multiplier x Years of Service = Annual Maximum Single Life Annuity

*Your Final Average Salary is based off the highest five years, no matter when they occurred.

*Maximum Single Life Annuity (MSLA) provides the maximum monthly benefit amount available for your lifetime.

The **Defined Contribution (DC)** component of your retirement is based on the amount of contributions made by you and your employer, the investment performance on those contributions, and the fees, costs, and expenses deducted from your PSERS DC Plan account. Your contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets.



Class T-G: Your Default Option (Hybrid of DB & DC Plans)

Total Member Contribution Rate	8.25% (DB: 5.50% + DC: 2.75%)
Employer Contribution Rate to Member's DC Account	2.25%
Shared Risk/Gain	Rate can increase or decrease 3% below or 3% above basic contribution rate, in increments of 0.75%
Vesting Period (When you qualify for a benefit)	10 years (or age 67 with 3 years of service) - DB Plan 3 eligibility points - DC Employer Contributions/Earnings
Final Average Salary	Highest Five Years
Total Retirement Benefit	DB = 1.25% x FAS x Years of Service + Value in DC account, if any, at time of retirement
Normal Retirement	Earlier of: <ul style="list-style-type: none">• Age 67 with 3 years of service• Combination of age and service equaling 97 with at least 35 years of service
Early Retirement Milestone	Age 57 with 25 years of service
Purchasing Service, Disability Retirement, Electing Multiple Service	Yes

No action is required to remain in Class T-G.

All school employees who first become active members on or after July 1, 2019, are automatically enrolled in Class T-G. Class T-G has both a Defined Benefit (DB) and a Defined Contribution (DC) component for the retirement benefit.

Class T-G guarantees the highest monthly DB benefit at retirement. You also contribute to the DC component of your retirement, which allows you to potentially grow the money that you set aside for retirement based on the performance of the investment markets. Compared to Class T-H, Class T-G has a higher DB member contribution rate and a higher employer DC contribution rate, but a lower participant DC contribution rate. Your DC contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets.

The Class T-G member contribution rate is 8.25% and is the percentage of your eligible earnings each pay period that are contributed to the PSERS DC Plan on a pre-tax basis. The portion of your pre-tax salary saved into the PSERS DB and DC Plans lowers your current taxable income and increases your tax-deferred savings for retirement.

Shared Risk/Shared Gain

There is a shared risk/gain provision to your DB contribution rate. Your contribution rate can increase or decrease 3% below or 3% above your basic contribution rate, in increments of 0.75% every three years.

DB Vesting

To be eligible for a DB benefit with Class T-G you must:

- Have 10 years of service, or

- Work until age 67 with at least three years of service

You are eligible for a refund of your DB contributions and interest if you terminate employment before becoming vested.

DC Vesting

To be vested and eligible to receive your employer's DC contributions in your PSERS DC Plan account and the earnings on those contributions, if any, after termination of employment, you must earn three eligibility points. A participant earns one eligibility point for each fiscal year in which the participant contributes to the PSERS DC Plan.

FAS

Final average salary is based on your highest 5 years.

Total Retirement Benefit

Your total retirement is based on your guaranteed monthly payments (DB Plan) + the total account value of your PSERS DC Plan, which is based solely on what you and your employer contribute to the DC Plan and the performance of those contributions in the investment markets based on the investment options you choose

Superannuation

Superannuation (normal retirement) occurs at age 67 with three years of service or with a combination of at least 35 years of service and years of age that total 97 (The Rule of 97).

Early Retirement Reduction

Class T-G has an age 57/25 years of service special early retirement milestone.

When you are at least age 57 *and* have at least 25 years of credited service with PSERS, you become eligible for a special early retirement. Your benefit is reduced 3% per year for each year (.25% for each month) you are from your normal retirement date. You must meet both conditions--the age (57) and the service (25 years) to qualify for this benefit.

If under age 62 with fewer than 25 years of service, there is a two-step reduction:

1. For each year under age 67
2. Additional reduction for each year under age 62

Purchasing Service, Multiple Service, Disability Benefit, and Healthcare Eligibility

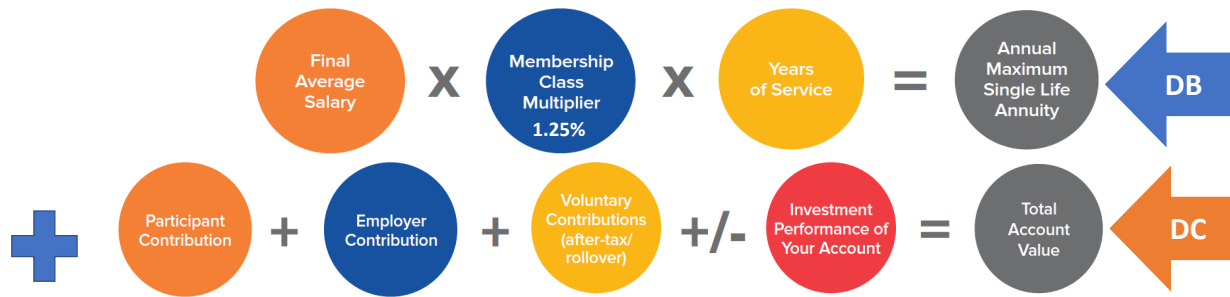
For the DB component of their benefit, Class T-G members may purchase service, elect Multiple Service (combining your PSERS credited service with service credited in the State Employees' Retirement System (SERS) for one combined pension benefit), and apply for disability retirement, if qualified.

Members may be eligible for the Health Options Program (HOP) and Health Care Premium

Assistance upon reaching the qualifications.



Class T-G: Your Default Option



Class T-G Total Retirement Benefit

Class T-G guarantees the highest monthly DB payment in retirement and has the highest multiplier. The DB component of your retirement guarantees you a monthly benefit based on the following formula:

Final average Salary \times 1.25% \times Years of Service = Maximum Single Life Annuity

You also contribute to the DC component of your retirement, which allows you to potentially grow the money that you set aside for retirement based on the performance of the investment markets. The DC component of your retirement is based on the amount of contributions made by you and your employer and the investment performance on those contributions. Your contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets. Your DC contributions and earnings, if any, are available to you for withdrawal when you retire or terminate employment.



Class T-H Elective Option (Hybrid of DB & DC Plans)

Total Member Contribution Rate	7.50% (DB: 4.50% + DC: 3.00%)
Employer Contribution Rate to Member's DC Account	2.00%
Shared Risk/Gain	Rate can increase or decrease 3% below or 3% above basic contribution rate, in increments of 0.75%
Vesting Period (When you qualify for a benefit)	10 years (or age 67 with 3 years of service) - DB Plan 3 eligibility points - DC Employer Contributions/Earnings
Final Average Salary	Highest Five Years
Total Retirement Benefit	DB = 1.00% x FAS x Years of Service + Value in DC account, if any, at time of retirement
Normal Retirement	Age 67 with 3 years of service
Early Retirement Milestone	Age 55 with 25 years of service
Purchasing Service, Disability Retirement, Electing Multiple Service	Yes

Class T-H guarantees a monthly benefit from the DB component that is lower than Class T-G. You also contribute to the DC component of your retirement, which allows you to potentially grow the money that you set aside for retirement based on the performance of the investment markets. Compared to Class T-G, Class T-H has a lower DB member contribution rate and a lower employer DC contribution rate, but a higher participant DC contribution rate. Your contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets.

The Class T-H member contribution rate is 7.50% and is the percentage of your eligible earnings each pay period that are contributed to the PSERS DC Plan on a pre-tax basis. The portion of your pre-tax salary saved into the PSERS DB and DC Plans lowers your current taxable income and increases your tax-deferred savings for retirement.

There is a shared risk/gain provision to your DB contribution rate. Your contribution rate can increase or decrease 3% below or 3% above your base contribution rate, in increments of 0.75% every three years.

DB Vesting

To be eligible for a DB benefit with Class T-H, you must:

- Have 10 years of service, or
- Work until age 67 with at least three years of service

You are eligible for a refund of your DB contributions and interest if you terminate employment before becoming vested.

DC Vesting

To be vested and eligible to receive your employer's DC contributions in your PSERS DC Plan

account and the earnings on those contributions, if any, after termination of employment, you must earn three eligibility points. A participant earns one eligibility point for each fiscal year in which the participant contributes to the PSERS DC Plan.

Final Average Salary

Final average salary is based on your highest five years.

Total Retirement Benefit

Your total retirement is based on your guaranteed monthly payments (DB Plan) + the total account value of your DC Plan, which is based solely on what you and your employer contribute to the DC Plan and the performance of those contributions in the investment markets based on the investment options you choose

Superannuation

Superannuation (normal retirement) occurs at age 67 with three years of service. T-H has a 55/25 early retirement milestone.

Early Retirement Reduction

Class T-H has an age 55/25 years of service special early retirement milestone.

When you are at least age 55 **and** have at least 25 years of credited service with PSERS, you become eligible for a special early retirement. Your benefit is reduced 3% per year for each year (.25% for each month) you are from your normal retirement date. You must meet both conditions--the age (55) and the service (25 years) to qualify for this benefit.

If under age 62 with fewer than 25 years of service, there is a two-step reduction:

1. For each year under age 67
2. Additional reduction for each year under age 62

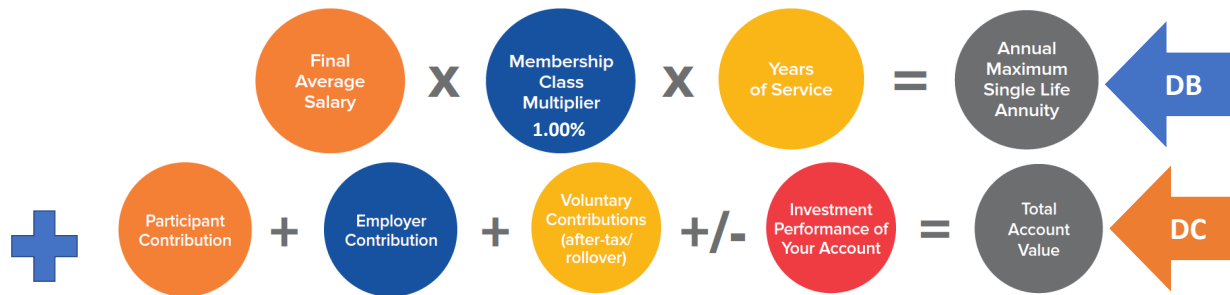
Purchasing Service, Multiple Service, Disability Benefit, and Healthcare Eligibility

For their DB component of their benefit, Class T-H members may purchase service, elect Multiple Service (combining your PSERS credited service with service credited in SERS for one combined pension benefit), and apply for disability retirement, if qualified.

Members may be eligible for the Health Options Program (HOP) and Health Care Premium Assistance upon reaching the qualifications.



Class T-H Elective Option



Class T-H Total Retirement Benefit

Class T-H has lower member and employer contribution rates. The guaranteed monthly payment from the DB component of your retirement benefit is lower than that of Class T-G.

Class T-G guarantees the highest monthly DB payment in retirement and has the highest multiplier. The DB component of your retirement guarantees you a monthly benefit based on the following formula :

Final average Salary \times 1.00% \times Years of Service = Maximum Single Life Annuity

You also contribute to the DC component of your retirement, which allows you to potentially grow the money that you set aside for retirement based on the performance of the investment markets. The DC component of your retirement is based on the amount of contributions made by you and your employer and the investment performance on those contributions. Your contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets Your DC contributions and earnings, if any, are available to you for withdrawal when you retire or terminate employment.



Class DC Elective Option (Defined Contribution Only)

Total Member Contribution Rate	7.50%
Employer Contribution Rate to Member's DC Account	2.00%
Vesting Period (When you qualify for a benefit)	No DB Plan 3 eligibility points -DC Employer Contributions/Earnings
Final Average Salary	NA
Total Retirement Benefit	No DB Plan. Value in DC account, if any, at time of retirement
Normal Retirement	N/A
Early Retirement Milestone	N/A
Purchasing Service, Disability Retirement, Electing Multiple Service	No

Class DC provides no guaranteed monthly benefit at retirement because there is no DB component to your retirement benefit. The value of your DC account is based solely on what you and your employer contribute to the PSERS DC Plan and the performance of those contributions in the investment markets based on the investment options you choose. The employer DC contribution rate is the same as Class T-H, which is lower than that of Class T-G.

The Class DC member contribution rate is 7.50% and is the percentage of your pre- taxed salary that is withheld from your pay. The portion of your pre-tax salary saved into the DC Plan lowers your current taxable income and increases your tax-deferred savings for retirement.

Your total retirement benefit is the value in your DC account at the time of your retirement and this value is based on your investment choices and the investment market performance only. To be eligible for a benefit that includes your employer DC contributions and earnings, you must have three eligibility points. Class DC participants earn one eligibility point for each fiscal year in which the participant renders service and contributes to the PSERS DC Plan.

Each DC participant will have an individual investment account. All participant and employer contributions are accumulated into the account and investment income, fees, and costs are credited or charged to the account.

Members may be eligible for the Health Options Program (HOP) and Health Care Premium Assistance upon reaching the qualifications.

Class DC members **may not** purchase service (other than eligible USERRA service), elect

Multiple Service (combining your PSERS credited service with service credited in the State Employees' Retirement System (SERS) for one combined pension benefit), or apply for disability retirement.



Class DC Elective Option Total Retirement Benefit



The DC component of your retirement is based on the amount of contributions made by you and your employer, the investment performance on those contributions, and the fees, costs, and expenses deducted from your PSERS DC Plan account. Your contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets.



Benefit Comparisons by Numbers

Member assumptions: \$25,000 starting salary with 3% annual increases, working for 35 years (normal retirement)

PSERS DB Plan assumptions: Final average salary of \$64,433 and earns a guaranteed 4% on contributions and interest. Member leaves these in for maximum pension benefit.

PSERS DC Plan assumptions*: 26 pay periods per year and 6% rate of return.

	Your Default Option	Your Other Elective Options	
	Class T-G Highest guaranteed retirement benefit	Class T-H Reduced guaranteed retirement benefit	Class DC Value of account at time of distribution
Total Retirement Benefit	\$538,581	\$499,774	\$408,861
Retirement Benefit Breakdown	\$28,190 Annual Pension for <u>life</u> + DC Plan Account of \$215,190 at retirement	\$24,807 Annual Pension for <u>life</u> + DC Plan Account of \$215,190 at retirement	No Annual Pension (You assume all investment risk) + DC Plan Account of \$408,861 at retirement
First Year Member Contributions (based on a \$25,000 starting salary)	\$2,062.60 or \$79.33 from bi-weekly pay	\$1,875 or \$72.11 from bi-weekly pay	
Total Member Contributions	\$124,703	\$113,366	
Total Employer DC Contributions	\$34,010	\$30,231	

Here is an example to assist you in your decision to remain a Class T-G member or elect to become a Class T-H or Class DC member.

This example assumes \$25,000 starting salary with 3% annual increases, and working for 35 years (normal retirement).

DB Plan assumptions: Final average salary of \$64,433.33 and guaranteed 4% earnings on contributions and interest, which member leaves in for the maximum pension benefit.

DC Plan assumptions: 26 pay periods per year and a 6% rate of return*.

*This hypothetical example assumes a 6% effective annual interest rate and no withdrawals. For illustrative purposes only, to show how the contribution rate and number of years invested in the DC Plan could affect your account value. Not intended as a guarantee of past or future performance of any security. Hypothetical assumptions are not guaranteed. Your actual results may vary. Actual rate of return may be more or less than shown and will depend upon a number of different factors, including your choice of investment options.



Benefit Comparisons by Numbers

Member assumptions: \$40,000 starting salary with 3% annual increases, working for 35 years (normal retirement)

PSERS DB Plan assumptions: Final average salary of \$103,093 and earns a guaranteed 4% on contributions and interest. Member leaves these in for maximum pension benefit.

PSERS DC Plan assumptions*: 26 pay periods per year and 6% rate of return.

	Your Default Option	Your Other Elective Options	
	Class T-G <i>Highest guaranteed retirement benefit</i>	Class T-H <i>Reduced guaranteed retirement benefit</i>	Class DC <i>Value of account at time of distribution</i>
Total Retirement Benefit	\$861,721	\$758,243	\$654,177
Retirement Benefit Breakdown	\$45,103 Annual Pension for life + DC Plan Account of \$344,304 at retirement	\$36,083 Annual Pension for life + DC Plan Account of \$344,304 at retirement	No Annual Pension (You assume all investment risk) + DC Plan Account of \$654,177 at retirement
First Year Member Contributions (based on a \$40,000 starting salary)	\$3,300 or \$126.92 from bi-weekly pay	\$3,000 or \$115.38 from bi-weekly pay	
Total Member Contributions	\$199,525	\$181,386	
Total Employer DC Contributions	\$54,416	\$48,370	

Here is another example to assist you in your decision to remain a Class T-G member or elect to become a Class T-H or Class DC member.

This example assumes. \$40,000 starting salary with 3% annual increases, and working for 35 years (normal retirement).

DB Plan factors: Final average salary of \$103,093 and guaranteed 4% earnings on contributions and interest, which member leaves in for the maximum pension benefit.

DC Plan assumptions: 26 pay periods per year and 6% rate of return*.

*This hypothetical example assumes a 6% effective annual interest rate and no withdrawals. For illustrative purposes only, to show how the contribution rate and number of years invested in the DC Plan could affect your account value. Not intended as a guarantee of past or future performance of any security. Hypothetical assumptions are not guaranteed. Your actual results may vary. Actual rate of return may be more or less than shown and will depend upon a number of different factors, including your choice of investment options.



Other Considerations

- If you wish to remain in Class T-G, ***no action is required.***
- When you retire, you have the option to withdraw your DB contributions and interest, although this reduces the value of your DB account and your monthly benefit from the DB component.
- If you would like to elect Class T-H or Class DC, you must timely log on to your PSERS MSS account and follow the instructions on the *Class Election* tab prior to your deadline.
- If you choose Class DC, there will be no monthly DB benefit portion to your retirement benefit. You will also not be eligible for a PSERS disability retirement benefit, you will not be able to purchase service, including prior military service, and you will not be able to combine your PSERS credited service with service credited in the State Employees' Retirement System for one combined pension benefit.
- If you have any questions about making an election, please visit psers.pa.gov, email ContactPSERS@pa.gov, or contact the PSERS Member Service Center by calling toll-free **888-773-7748 (888-PSERS4U)**. The Member Service Center is staffed each business day from 8:00 a.m. to 5:00 p.m.



Other Considerations

- Will you work long enough to be eligible for a DB benefit with Class T-G or Class T-H by either:
 - Rendering 10 years of service, or
 - Working until age 67 with at least three years of service?
- What Membership Class will better help you attain your expected retirement income and meet your retirement goals?
- Do you want the ability to make the investment decisions for all or some of your retirement plan contributions?
- In the DC Plan, you will not be able to purchase any service (e.g., out-of-state and non-contributing approved leave of absence) except USERRA.



Election Process

- All new members are automatically enrolled in Class T-G.
 - **If you wish to remain in Class T-G, no action is required.**
- If you would like to elect Class T-H or Class DC, you must log in to your PSERS MSS account and follow the instructions on the Class Election tab.
- Your choices are irrevocable (final and binding).



MORE INFORMATION AND CONTACTING PSERS



Visit psers.pa.gov for general information and access to your retirement account through the Member Self-Service (MSS) Portal. More details are available in the Active Member Handbook available on our website.



Account Information and General Questions:
1.888.773.7748 (Monday- Friday 8:00 a.m. – 5:00 p.m.*)



Email:
ContactPSERS@pa.gov



Mailing Address:
PSERS
5 N 5th Street
Harrisburg, PA 17101-1905

***Call volumes increase towards the end of the day so calling earlier may decrease your wait and ensure that your concerns are promptly addressed**

Remember, contact PSERS any time you have a concern or question because we are here to assist you.

If you contact us in writing, be sure to include identifying information so PSERS can review your account.

Please include the following:

Date

Your name

Your PSERS ID, or the last four digits of your social security number

Inquiry details

Signature