Welcome to “Foundations for Your Future,” the general information program of the Public School Employees’ Retirement System (PSERS).

For many of you, this program will probably be the starting point in your retirement planning, so if you don’t feel like you have all of the answers after this meeting, that’s normal. There are many other sources of information and more steps in your planning which we will be discussing. We hope this will be a good introduction to get you acquainted with the next steps in your planning and the ways in which PSERS is available to assist you.

This program will provide you with an overview of your PSERS retirement benefits and is designed for anyone who is working in a public school in Pennsylvania regardless of your position. The program will last approximately 90 minutes.

In the packet provided, you will find information that will help you to become better informed about PSERS retirement benefits.

Enclosed are:
Copy of today’s presentation
List of PSERS Publications
Health Insurance and Premium Assistance Information
Countdown to Retirement Checklist
We are going to cover a lot of information during this presentation, however, we cannot cover every aspect of the PA Retirement Code. Questions are welcomed at this meeting, but if your questions or concerns are not adequately addressed, please see me after the presentation.
The purpose of this program is to provide you with information regarding your retirement system to help you better understand the benefits you have as a member of PSERS and the important decisions you must make when you retire.

**Today, we be answering these questions:**
- What is PSERS? We’ll talk a little bit about our agency and explain how the benefits work.
- When should I retire? We will tell you about the different retirement types and the milestones needed to qualify so that you can decide when you want to retire.
- How much will I receive? We will explain the different retirement choices you will need to make and how they affect your payment.
- What do all these numbers mean? We’ll show you a sample of a retirement estimate and explain all of the options and choices provided.
- What do I do next? Since this is just where the process starts, not where it stops, you will want to know where to find additional information and what to do next.

You can see here that we’ve identified each of the individual topics that we will be covering today. We will be pausing for questions before moving on to a new topic.
The Public School Employees’ Retirement System (PSERS) is an agency of the Commonwealth of Pennsylvania that administers the pension plan for Pennsylvania’s public school employees. The cost of this plan is shared with the plan members as well as with multiple employers through the Commonwealth of Pennsylvania. These employers are:

All Pennsylvania public school districts,
Intermediate units,
Vocational-technical or career technology schools,
Participating charter schools,
Community colleges,
The state-owned universities,
Pennsylvania State University,
And any other employer who offers PSERS as a retirement plan option.

Special Notes:
Charter schools are considered public schools but not all participate in PSERS. Charter schools may, but are not required, to offer PSERS as a retirement option; if not, they must offer an alternate retirement plan. If you are a member of PSERS and decide to begin employment with a charter school, you should verify that the charter school participates in PSERS.

State-owned colleges and universities, the Pennsylvania State University (PSU), and community colleges are required to offer PSERS as one of their retirement options. In addition to the mandatory offering of the State Employees’ Retirement System (SERS) and PSERS, the state’s community colleges, the Pennsylvania State University and the 14 state-owned universities (comprising The State System of Higher Education colleges or PASSHE) may offer other retirement programs. Your employer should be able to discuss with you each of the retirement plans that they offer.
PSERS is a defined benefit plan, and is a qualified trust under Section 401(a) of the Internal Revenue Service Code. Unlike defined contribution retirement plans, the amount of your future PSERS monthly benefit is not directly dependent on the amount of your contributions and investment earnings.

Member contributions, employer contributions and investment earnings make up the general fund from which retirement benefits are paid. Your future retirement benefits are determined by a formula which is set by state law and guaranteed by the Commonwealth of Pennsylvania. If vested, you are guaranteed to receive a lifetime monthly annuity.

The member contribution rate is set by legislation based on enrollment date with PSERS and membership class, which will be discussed shortly. The employer contribution rate changes each year based on what is needed to fund the system. Contributions are invested and earnings from investments are the largest source of funding for PSERS.
The formula used to calculate your gross retirement benefits takes into consideration your final average salary, your membership class, and your years of credited service.

**Final Average Salary (FAS):** Generally, the final average salary is the average of a member's highest compensation received during any three school years. Included in the calculation of your FAS is any extra compensation received for performing additional duties such as overtime, work as a coach or department head, etc. Payment for unused sick or personal leave or bonuses received because of your retirement are NOT included in the calculation of the FAS.

**Membership Class:** You were enrolled in one of the four membership classes based on when you first became eligible for PSERS membership.

If you were a member of PSERS prior to July 1, 2011, your membership class is either Class T-C or Class T-D. With Class T-C service, the multiplier is 2.0, which means that you get 2% of your final average salary for every year of Class T-C service you have. If you are a Class T-D member you have a 2.5% multiplier so you get 2.5% of your FAS for each year of Class T-D service. If you were hired before 7/01/2001 you had an opportunity to elect to become a Class T-D member to get the higher multiplier. If you were hired between 7/01/2001 and 6/30/2011 you were automatically enrolled in Class T-D.

As a result of Act 120 of 2010, if you were first enrolled on or after July 1, 2011 you chose your membership class. You are enrolled in Class T-E by default. T-E uses the 2.0% multiplier for all service credit. You have a one-time opportunity to elect Class T-F membership which uses a 2.5% multiplier.

**Years of Service:** Credited service accrual is based on a school or fiscal year (i.e., from July 1 to June 30). If you are a salaried or per diem employee, 180 days of service = 1 full year of credit. If you are hourly, 1100 hours is usually the amount needed to reach 1 full year of credit. If you worked less than the 180 days or 1100 hours in a school year, you will receive partial credit for that year. Partial-year service credit is calculated by dividing the days or hours worked by 180 for days, or by 1100 for hours. Please note that you cannot receive credit for more than 1 year of service in any school year.
Putting those components together gives us the basic retirement formula used to calculate your gross pension benefit. This base formula gives you the maximum single life annuity (MSLA) with no withdrawal of contributions and interest. If you are not eligible for normal retirement, this amount is multiplied by a reducing factor to calculate your early retirement benefit. Your PSERS plan offers options other than the MSLA with no withdrawal of contributions and interest, which result in further reduction of the gross benefit. We will discuss these other options in detail shortly.
You can see from the retirement formula that the more service credit you have, the more your retirement benefit will be. Two ways to increase service are by electing multiple service membership and by purchasing qualifying service.

**Multiple Service:**
Multiple service membership is available to individuals who have public school service with PSERS and qualified membership in the State Employees’ Retirement System (SERS) as a current or former Commonwealth of Pennsylvania employee. If you elect multiple service, both retirement benefits will be combined at retirement and will pay you one gross monthly benefit.

You must apply for multiple service membership (if eligible) within 365 days of qualifying school service. If you have both SERS and PSERS service and experience a Break-in-Service, you have 365 days from the day you enter back into qualifying public school employment with PSERS in order to elect multiple service membership.

For more information regarding Breaks in Service, please refer to the Active Member Handbook.

**Purchase of Service:**
Purchasing service means that you are electing to have credit from previous employment added to your PSERS service credit. To be eligible to purchase service, the credit must be one of the types of credit specifically named in the PA retirement code. You also must be an active, contributing member of PSERS to be eligible to purchase service. Having additional service credit can also increase the death benefit available to your beneficiary or beneficiaries if you were to die before retirement.
The types of service that the retirement code allows for purchase are divided into school service and non-school service. The applications for and detailed information about all types of service eligible for purchase can be found on the PSERS website. This includes the instructions for completing the application, information about who is eligible to purchase the service, and how the cost is calculated. Due to the volume of purchase of service requests received by PSERS, there may be a delay in processing your application; however, you will receive an acknowledgement letter when your application is received.

Once the cost of the purchase has been calculated, the service will be added to your account immediately and a Statement of Amount Due will be sent to you. This statement will give you information about payment options and the opportunity to rescind the purchase if needed.
Before we move on, do you have any questions?

One of the questions members regularly ask is “when should I retire”. In this section, we will explain when members reach eligibility for retirement, the different types of retirement, and the milestones for which you might want to aim so you can maximize your pension benefits.
In order to be eligible for a regular retirement benefit, you need to be vested. Members who are not vested when they leave employment with a public school employer, are only eligible to refund contributions and interest. The criteria to be vested are different for Class T-C and T-D members versus for Class T-E and T-F members.

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<th>Class T-C &amp; Class T-D</th>
<th>Class T-E &amp; Class T-F</th>
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<td>Five years of service</td>
<td>Ten years of service</td>
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<td>Age 62 and then leave employment with one year of service</td>
<td>Age 65 and then leave employment with three years of service</td>
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If you are a Class T-C or Class T-D member you become vested when you attain five years of qualified service or reach age 62 and then leave employment with at least 1 year of qualified service. If you are a Class T-E or Class T-F member, you become vested when you attain ten years of qualified service or reach age 65 and then leave employment with at least 3 years of qualified service.

Upon becoming a vested member, your PSERS death benefit increases from the total of your personal contributions and interest alone to the total value of your account. The total value of your account is an actuarial figure based on the amount of money PSERS would have expected to pay you throughout your retirement lifetime.
As long as you are vested when you terminate employment with your PSERS employer(s), you will be eligible to receive monthly retirement payments from PSERS for the rest of your life. There are two types of regular retirements, normal and early, and a third type of retirement benefit, disability retirement, which may be available if a medical condition prevents you from continuing your PSERS employment. There is also an additional premium assistance benefit that might be available under any of the retirement types if you meet the criteria for eligibility.
If you meet the criteria for a normal retirement, you will receive your full monthly payment based on the retirement formula. No early retirement reducing factor needs to be applied to the monthly benefit.
Normal retirement is achieved when you reach one of the membership class milestones (based on age and/or service requirements) below. You may receive a normal retirement benefit when you terminate public school employment and if:

Class T-C and Class T-D
• You are age 62 with at least one (1) full year of credited service at the time you terminate active or inactive service.
• You are age 60 and have 30 or more years of credited service.
• You have at least 35 years of credited service regardless of age.

Class T-E and Class T-F
• You are age 65 with at least three (3) years of credited service at the time you terminate active or inactive service.
• You attain at least 35 years of credited service and reach an age that in combination is equal to or greater than 92 (for example, 36 years of service plus age 56 equals 92).
If you leave employment before you are eligible for normal retirement, you can still begin receiving a retirement immediately after terminating, but it would be reduced benefit. The younger you are and the less service you have when you begin retirement, the more the retirement payment would be reduced.
**Early Retirement:**
The reduction to your pension benefit for an early retirement will be between **approximately** 4% to 7% per year for each year you are from your nearest point of normal retirement. There is no cap on the amount of the reduction.

**Age 55/25 Years of Service (Special Early Retirement):**
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.

For Class T-C or Class T-D members, the maximum reduction at **55/25** is 15% because the member would be no more than 5 years from their nearest point of normal retirement. For Class T-E or Class T-F members the maximum reduction at **55/25** is 30% because the member would be no more than 10 years from their nearest point of normal retirement.

Prior to making a decision to retire early, we encourage you to use the Retirement Calculator on the PSERS website to create estimates of your benefits.

**Vesting Your Account:**
If you leave employment and are not yet eligible for normal retirement, as we’ve just discussed, you have the option of taking your retirement early with whatever reduction is applicable, or you can vest your account until a later time. When you vest, you defer retirement and any lump sum payments until a later time. Your contributions and interest will continue to accrue 4% interest while you are vesting and the early retirement reduction continues to get lower as you approach normal retirement age. If you vest until you reach normal retirement, you will receive the full, unreduced monthly payment amount. If you are planning to terminate employment under age 55 with at least 25 years of credited service, you may vest your account until age 55 to receive the more favorable early retirement reducing factor.

Please keep in mind that while you can vest as long as you wish, if you are no longer an active PSERS member, your account reaches its maximum value once you attain eligibility for normal retirement. Also, after you have terminated employment, the Internal Revenue Service (IRS) mandates that retirement benefits must begin to be distributed by April 1 of the calendar year following the year in which you reach age 70.5. If you have questions regarding required minimum distribution, we encourage you to seek advice from your tax consultant or the IRS.
Before we move on to the other retirement milestones, we would like to take a moment to show some comparison numbers. These comparisons are intended to highlight the milestones by showing how either working or vesting until a later date would affect a retirement payment.

In these comparisons, we are looking at estimate figures calculated for our sample school employee, Rita Retiree. Rita is 54 years old with 25 years of service credit. We will look at all of her estimate calculations in more detail later in the presentation but for now, we are looking at her calculation under the highest paying of the options that Rita could select at any given time.

In this scenario, Rita is considering an early retirement at the end of the 2018 school year. Since she would only be 54 with 25 years of service, this would be an early retirement for Rita, so a reduction would be applied to her monthly benefit. To help her decide if an early retirement is a good idea, Rita might wish to compare her 2018 estimate with an estimate of what her payments would be if she worked until normal retirement. For Rita, that would mean working six more years until June 2024. At that time, she would be age 60 with 31 years of service, so she would qualify for normal retirement based on the criteria of being at least age 60 with at least 30 years of service credit.

You can see from these sample calculations that if Rita continues working the six more years until she is eligible for normal retirement, her payments increase by $1,548 per month and her contributions and interest increase by $49,210. However, because she works for those six years instead of receiving pension payments, she is giving up $144,000 in total monthly payments ($2,000 per month times 72 months). It would take her about seven years and nine months to break even. She is, however, still receiving her full salary from continued employment in this scenario.
If Rita really wants to leave public school employment in June 2018 but does not want to have an early retirement reduction, she might want to consider vesting her account until she would have reached normal retirement. In this scenario, Rita still leaves employment in June 2018 but doesn’t start taking her retirement until six years later in June 2024. Even though Rita is no longer making additional contributions to PSERS or adding additional service credit, her retirement benefits are still higher because she vested her account for six years. Because the early retirement reducing factor is eliminated by vesting until normal retirement, Rita’s monthly payment increases by $857. Interest continues to accrue while she is vesting so her lump sum that is available to withdraw increases by $24,660. Again, Rita is giving up $144,000 worth of pension payments in the six years while she is vesting instead of starting to collect her retirement. In this vesting scenario, it would take Rita approximately 14 years to break even with what she could have received during those six years.
The last scenarios we want to compare for you show the effects on Rita’s benefit if she qualifies for the 55/25 special early retirement. There are two ways Rita could become eligible for this benefit—by working for one more year until she is 55, or by vesting her account until her 55th birthday. If Rita works 1 more year, her monthly lifetime benefit is approximately $500 higher than it would have been if she had left employment and retired in 2018. Her contributions and interest also increase by approximately $8,000. If she vests her account until she meets the age criteria rather than working, her monthly lifetime benefit is approximately $400 higher than it would have been if she retired immediately upon leaving employment in 2018. For Rita, the difference between working or vesting the additional year in order to be eligible for the more favorable early retirement calculation is $106 per month in her payments and $4,277 in contributions and interest. In either scenario, she gives up the $24,000 she could have received in retirement payments if she had left employment and started taking her retirement in June 2018 when she was originally considering it.

If you are using the online estimators on PSERS website to plan your retirement, you can calculate estimates for working to any future date that you would like. Vesting estimates must be prepared by PSERS staff and can be requested at the time you are requesting a staff prepared estimate. Vesting comparisons will automatically be provided if you are within 12 months of reaching a milestone that would enhance your retirement benefit.
The last of the three retirement types to discuss is disability retirement. No matter how carefully you try to plan for your retirement if an injury or illness prevents you from continuing to work in your public school position, you may not be able to continue working as long as you had intended. In this situation, disability retirement might be an option for you and it may provide additional benefits and/or supplements for which you may not otherwise have been eligible.
In order to be eligible for disability retirement, you must be unable to perform your current job duties because of a documented medical condition. You need to have at least five years of credited service, and be an active, contributing member of PSERS at the time the disability occurred. You must apply by the end of the second school year after your last day of qualifying service or paid leave. You will need to provide medical documentation that you are unable to perform your job as well as a job description from your employer. This information is reviewed by medical examiners from PSERS who make the determination regarding your eligibility for a disability retirement.

There are advantages and disadvantages of a disability retirement. Unlike a regular retirement, you are not permitted to withdraw your contributions and interest. However, your gross monthly benefit on disability may be greater than on a regular retirement.

PSERS does not require that you resign from your position when you apply for a disability retirement; however, your school employer may have a different policy. You must check with your own employer regarding their policy. Your Application for Disability Retirement will only be reviewed after your school employer notifies PSERS that you are on an unpaid, non-contributing leave or have terminated employment.

You may receive a disability retirement benefit from PSERS and receive a disability benefit from another plan such as workers’ compensation, Social Security, and/or an independent insurance company. Your PSERS disability retirement benefit will not be affected; however, be sure to check with these other plans to see if they will be affected by your PSERS disability benefit.

If you are leaving school employment for health reasons, request a disability estimate and schedule a counseling appointment.
Another consideration when planning your date of retirement is eligibility for premium assistance.
To assist our retired members with their health care costs, the Pennsylvania legislature established premium assistance. Premium assistance provides you with a non-taxable reimbursement toward the cost of the your (the retiree’s) basic health care premium. The amount of the reimbursement is set by legislation and is a maximum of $100 per month for eligible retirees.

Premium assistance is not payable for premiums for prescription drug and/or supplemental benefits. It is also not payable for your spouse’s and/or dependent’s coverage. To be eligible, you must have your health insurance with a Pennsylvania public school employer or PSERS sponsored plan. If you meet the eligibility requirements, premium assistance will be added to your monthly PSERS retirement benefit.

To qualify, you must meet one of the following requirements:
- Retire at any age with at least 24.50 years of credited service.
- Class T-C and Class T-D members: Terminate employment on or after age 62 with at least 15 years of credited service.
- Class T-E and Class T-F members: Terminate employment on or after age 65 with at least 15 years of credited service.
- Receive a PSERS disability retirement.

If you leave employment prior to age 62 for Class T-C and T-D or age 65 for Class T-E and T-F and you have at least 15 years of credited service but less than 24.50 years of credited service, simply delaying your retirement date until your 62nd birthday will not make you eligible for premium assistance. In this situation, to become eligible for premium assistance, you must not terminate your employment until your 62nd birthday for Class T-C and T-D or age 65 for Class T-E and T-F. If your employer is willing, you may be placed on an unpaid leave from your last day of employment until your 62nd birthday for Class T-C and T-D or age 65 for Class T-E and T-F; however, the unpaid leave cannot exceed 24 months in duration.
Before we move on, do you have any other questions?

Your PSERS retirement benefit is not a one size fits all plan. Your needs in retirement will differ from those of other members so when you retire, you will need to make some decisions that will affect the amount of your PSERS payment each month. These decisions will be final and binding, so it is important to understand what your choices will be.
The main decisions that you make at retirement that affect your income from PSERS are which monthly payment plan you would like to select and what amount would you like to withdraw in a lump sum, if any.

No matter what option you select or how much of your contributions and interest you withdraw, you will receive a monthly payment from PSERS for the rest of your life.
The differences between each monthly benefit option is the amount of the monthly payment and the death benefit attached to the option.

The **Single Life Annuities** provide a monthly payment for your lifetime only. The death benefit is based upon a guaranteed dollar amount.

The **Joint Survivor Annuities** provide a monthly payment for your lifetime, and a guaranteed lifetime monthly payment for a survivor annuitant after your death.

**Maximum Single Life Annuity**
The maximum single life annuity provides the highest check amount for your lifetime. If at the time of your death you have not received an amount equal to your contributions and interest, the balance will be paid to your beneficiary. You may change your beneficiary at any time and/or name more than one beneficiary.

**Option 1** – Single Life Annuity
Under this option, your gross monthly benefit is reduced. The reduction is based on your age at the time of your retirement. A value, called the Present Value, is placed on your account at the time of your retirement. If at the time of your death, you have not received an amount equal to the present value of your account, the balance will be paid to your beneficiary. You may change your beneficiary at any time and/or name more than one beneficiary.

**Option 2** – Joint Survivor Annuity – 100%
Under this option, your gross monthly benefit is reduced based on your age and the age of your designated survivor annuitant. You may name only one survivor annuitant. At the time of your death, your designated survivor will receive for their lifetime, the same gross monthly benefit that was paid to you.

**Option 3** – Joint Survivor Annuity – 50 %
Under this option, your gross monthly benefit is reduced. The reduction is based on your age and the age of your designated survivor annuitant. You may name only one survivor annuitant. At the time of your death, your designated survivor will receive for their lifetime, one-half of the gross monthly benefit that was paid to you.
You must also decide if you want to withdraw any or all of your personal contributions and interest. If you choose not to withdraw contributions and interest, you receive a higher monthly payment than you would have received if you had withdrawn any of those funds in a lump sum. Keep in mind, that you would not have any future access to or control over the funds you leave with PSERS.

If you choose to withdraw your contributions and interest there will be a reduction in you’re the amount of your monthly payment. The more contributions and interest you withdraw, the more it reduces your payment amount. However, you will still receive a payment from PSERS each month, even if you withdraw all of your contributions and interest in a lump sum at retirement.

Any money that you withdraw in a lump sum can either be paid directly to you minus taxes or can be rolled over to a tax deferred account on your behalf.

**Direct Payment to Member:** If you choose to have the lump sum paid directly to yourself, PSERS will withhold 20% and send it to the IRS for your federal taxes. Ultimately, you will be taxed according to your federal tax bracket, so if the 20% is too much or too little depending on your other income for the year, the difference is made up the next time you file your taxes. If you are under age 55 in the calendar year that you terminate your employment, an additional 10% early retirement tax may apply. You are responsible for paying the 10% tax on early distributions directly to the IRS. PSERS does not deduct this additional tax, but you must pay it when filing your annual federal tax return.

**Direct Rollovers:** If you prefer to defer taxes and possibly avoid the 10% early retirement penalty, you can choose to roll over any portion of your money into an eligible retirement plan. Taxes will not be withheld from any money that PSERS sends to an eligible retirement plan as a direct rollover. The IRS has special rules about rollovers and distributions when you reach age 70 ½. You may not be able to roll over 100% of your contributions and interest; PSERS will roll over only the amount allowed by IRS regulations.
In order to get an idea of how these choices will affect the amount of your monthly payment, you will need to get a retirement estimate.

If you are more than 12 months from when you think you might retire, or you are still trying to decide when the best time for retirement will be, you may want to try the PSERS online retirement calculators. There are two different ways to access the calculators online. You can either log in to your Interaction account with your user name and password, or you can use the calculator as a guest. When you use the calculator as a guest, the only thing you will need is a recent Statement of Account so that you have the information to enter into the calculator. Whichever way you use the calculator, you will see a screen that looks like the above slide. You can change any information in order to calculate whatever retirement scenarios you wish to generate.

Please note that the online calculator cannot be used in certain situations. You may need to contact PSERS if you are in need of an estimate for special circumstances such as disability, vesting, part-time employment, frozen annuities, and/or divorce.
If you are planning to retire within the next 12 months, complete a *Request for Retirement Estimate* form (PSRS–151) providing PSERS with your name, social security number, projected date of retirement, current school year’s salary, and the birthdate, gender, and relationship to your designated survivor annuitant (if applicable). Submit this form to PSERS and allow 4 to 6 weeks for processing. Allow more time for special estimates such as multiple service, frozen annuities, divorces, and customized options. The staff-prepared estimate will estimate your gross benefits under all the monthly payment plans and withdrawal options (if applicable).
Before we move on, do you have any questions?

Once you have your estimate, you will be presented with a lot of information. It can be overwhelming if you don’t know where to look. In this section, we will break down information you will be presented with on your estimate.
This is the full retirement estimate for Rita Retiree. As mentioned before, she is eligible for an early retirement as she is 54 years old with 25 years of service. This example is the format you’ll see when preparing your own retirement estimate from PSERS website. The staff-prepared retirement estimate will have a different look, but will have similar information. Resulting figures are projected to your planned date of retirement.

**Date of retirement:** Everything projected to the planned date of retirement that you provided. Your actual date of retirement will be determined by termination information provided electronically by your employer unless you select a later date. Your date of retirement is normally the day following your termination date provided PSERS receives your Application for Retirement within 90 days of that date.

**Type of retirement:** Early or Normal. If early retirement, reducing factors are already incorporated into the estimate. We will go over the Retirement Types later in the program.

**Account Debts:** Any outstanding debt amounts are calculated with interest projected to the date of retirement. The actuarial reduction for the satisfaction of any debts is already incorporated into the estimate.

**Final Average Salary (FAS):** Average of three highest school years. It is important to note that the FAS used on the estimate is based on the information you supplied for your current year’s salary as well as information posted to your account by your employer.

**Years of service:** Service is broken down in separate fields to show service as of your last Statement of Account, by membership class, as well as projected service to your date of retirement.

**Contributions:** This represents all contributions withheld from your salary and posted to your PSERS account.

**Interest:** This represents the non-taxed interest paid on your account at four percent (4%) per year.

**Member Calculation:** In the member calculation section, you will see columns to show you your monthly payment if you choose to withdraw no money versus if you choose a total withdraw of contributions and interest. You will also see the monthly payment amounts under each of the payment options you can select.
Maximum Single Life Annuity

This provides the maximum gross monthly benefit amount available for your lifetime. If at the time of your death you have not received an amount equal to your contributions and interest, then the remaining balance is paid to your beneficiary(ies). Under this option, you may name more than one beneficiary and you can change your beneficiary(ies) at any time.

This option provides a declining death benefit. Every month when you receive your payment, the death benefit is reduced by the gross amount of the payment you received. Once you have received this guaranteed amount, there is no money remaining for your beneficiary(ies). Remember, though, your monthly benefit is guaranteed to you for your lifetime no matter how long you may live.
Option 1 (Single Life Annuity)

This option provides a reduced gross monthly benefit available for your lifetime in exchange for protecting a larger death benefit. If at the time of your death, you have not received an amount equal to the present value of your account, then the remaining balance is paid to your beneficiary(ies). The total value of your account is based on the amount of money PSERS expects to pay you over the rest of your anticipated life.

This option provides a declining death benefit. Every month when you receive your payment, the death benefit is reduced by the gross amount of the payment you received. Once you have received this guaranteed amount, there is no money remaining for your beneficiary(ies). Remember, though, your monthly benefit is guaranteed to you for your lifetime no matter how long you may live.

Under this option, you may name more than one beneficiary and you can change your beneficiary(ies) at any time.
This slide shows a comparison of the death benefit for MSLA and Option 1, using the information from Rita Retiree’s estimate. You’ll recall that under MSLA, the death benefit starts at $92,948 (the amount of the Contributions and Interest in the account), while the death benefit under Option 1 starts out at $419,647 (the Present Value of the account).

Each month the death benefit is reduced by the gross value of the monthly retirement check. Once you have received this guaranteed amount, there is no money remaining for your beneficiary(ies).

Remember though: your monthly will be paid to you for the rest of your life, even if the death benefit is depleted.
**Option 2 (Joint Survivor Annuity)**

Under Option 2 you will receive a reduced gross monthly benefit in order to guarantee that upon your death, your survivor annuitant will receive the same gross monthly payment for the rest of their lifetime.

The reduction of your benefit is based on your life expectancy combined with the life expectancy of your designated survivor. The younger the survivor, the more your benefit is reduced. Due to federal restrictions, Option 2 may not be available if providing for a designated survivor other than a spouse.

You may name only one designated survivor and you will select this individual at the time of your retirement.

**Change in Option/Designated Survivor**

Option 2, 3, or Special Option (Percentage): You may change your option or select a new designated survivor only under certain conditions. If the designated survivor predeceases you or your marital status changes, you may change your designated survivor or change your option. You should report this status change to PSERS immediately. Request estimates prior to making a decision. Changing your designated survivor or option will usually result in your gross monthly benefit being reduced.

**Divorce**

According to PA law, if you choose a survivor option naming your spouse as survivor annuitant and you divorce after retirement, your designated survivor will not automatically receive a monthly payment upon your death. Unless there is a Domestic Relations Order (DRO) which specifically grants the payment of the benefit to your ex-spouse, it is considered by PSERS as though your survivor died before you. If you wish to keep your ex-spouse as your designated survivor, you must inform PSERS in writing.
**Option 3 (Joint Survivor Annuity)**

Under Option 3 you will receive a higher gross benefit than you would have under Option 2 because upon your death your survivor annuitant will receive half of your monthly payment for the rest of their lifetime.

The reduction of your benefit is based on your life expectancy combined with the life expectancy of your designated survivor. The younger the survivor, the more your gross benefit is reduced.

You may name only one designated survivor and you will select this individual at the time of your retirement.

**Change in Option/Designated Survivor**

Option 2, 3, or Special Option (Percentage): You may change your option or select a new designated survivor only under certain conditions. If the designated survivor predeceases you or your marital status changes, you may change your designated survivor or change your option. You should report this status change to PSERS immediately. Request estimates prior to making a decision. Changing your designated survivor or option will usually result in your gross monthly benefit being reduced.

**Divorce**

According to PA law, if you choose a survivor option naming your spouse as survivor annuitant and you divorce after retirement, your designated survivor will not automatically receive a monthly payment upon your death. Unless there is a Domestic Relations Order (DRO) which specifically grants the payment of the benefit to your ex-spouse, it is considered by PSERS as though your survivor died before you. If you wish to keep your ex-spouse as your designated survivor, you must inform PSERS in writing.
**Special Option**

In addition to the four standard monthly payment options, a Special Option or Customized Option may also be available for you to consider. A special option is also a joint survivor annuity, but you can select any percentage or any dollar amount with which to protect your survivor annuitant. The Special Option cannot currently be calculated using the online calculator but when requesting a staff prepared estimate within 12 months of retirement, you can note on the Request for Retirement Estimate the specific percentage or dollar amount you would like calculated.

**Customized Option**

A customized option may be requested if none of the other retirement options suit your needs. The customized option must provide for the payment of a level monthly benefit. **Example:** Protect two people (i.e. provide monthly income for two designated survivors following member’s death).

If you are considering a customized option, it is suggested that you make your request in writing to PSERS at least six months prior to your retirement because extra processing time is involved. PSERS requires a letter including the following:

- Tentative Date of Retirement
- Your name
- Last four digits of your social security number
- Beneficiary or Designated Survivor(s)
- Method of Distribution
- Signature

Your customized option must be pre-approved by PSERS’ actuary.

**Taxes**

Remember, the monthly amounts shown are gross amounts. Your gross monthly benefit is subject to Federal Income Tax. If you live in Pennsylvania, your gross monthly benefit is not subject to state or local taxes. If you live in another state or move to another state, you must check with that state regarding taxes. Federal Income Tax is the only tax that PSERS will withhold from your gross monthly benefit. You will need to tell us the amount of taxes you would like withheld on your Application for Retirement. Please check the PSERS federal tax withholding calculator for withholding amounts or consult with a tax professional.
Before we move on, do you have any questions?

As we said in the beginning of this presentation, attending this meeting is usually one of the first steps a member takes as they begin to prepare for retirement. Hopefully, you now have a better understanding of your retirement benefits and the options that will be available to you when you decide to retire. You might be wondering where to go from here. The next segment of the program is intended to guide you through the decision making process, applying for retirement, and receipt of your benefits.

Included in your handout is a *Countdown to Retirement Checklist* to assist you in planning.
The *Countdown to Retirement Checklist* is a guideline of things to consider and steps to take as you plan for retirement. Not every item will apply to you and not every member plans their retirement within the same timeframe, but the checklist provides suggestions to assist you in your planning.

Please ensure that you are reviewing your annual Statement of Account. The statements are mailed each year in the fall and provide you with a summary of information that your employer has submitted to PSERS for the prior school year. Your statement also includes your total contributions, interest, and service for which you were credited through the end of the previous school year and, if you are vested, provides you with a partial estimate of retirement benefits calculated as of the end of the last school year. Any corrections to salary, days or hours must be submitted to PSERS through your school employer. There is an “Understanding Your Statement of Account” presentation available on PSERS’ website which contains additional information about your statement.

Purchase of service has already been discussed in detail, so you know that you need to submit your application to purchase service credit while you are still an active and contributing member of PSERS.

If you have made an inquiry to PSERS regarding your account for a divorce proceeding, ensure that we have received the appropriate documents so that your retirement benefit can be paid out in a timely manner.

You may find it necessary or advisable to designate another person as your agent to handle your personal affairs. A Power of Attorney (POA) would give your agent the authority to change your address, change or start direct deposit, change federal tax withholding status, change or stop medical insurance coverage, change beneficiary designations, etc., with PSERS. Before you consider filing a POA with PSERS, you may want to discuss this matter with your family, friends, or an attorney. To designate a person or persons to act as your agent with PSERS, you can complete a PSERS *Power of Attorney* (PSRS-248) form.

PSERS suggests setting aside funds to cover at least 3 months worth of living expenses while you are waiting for your retirement benefits to begin.

Lastly, if you are planning for a retirement more than 12 months in advance, we recommend using the PSERS online retirement calculator to help determine when will be the best time for you to retire.
If you are planning to retire within the next 12 months, remember to request a staff prepared estimate including any requests for special option or withdrawal calculations.

When you have made your decision to retire, you MUST discuss your employer requirements with your Human Resources and/or Business Office well in advance. Discuss your employer’s requirements including their notification time frames, payments for unused leave, your options for balance of contract payments, and healthcare. If possible in your last school year of employment, consider lump sum payment of salary from your employer in month of termination instead of having balance of contract salaries spread out over the summer months.

Financial advisors/planners can be a great source of information regarding money matters and you may wish to consult with one if you would like advice on making your retirement decisions before attending your PSERS Retirement Exit Counseling meeting. Please refer to your checklist for some suggestions on questions to ask yourself and/or your advisor.

After you have reviewed your estimate and determined that you will be retiring during the current school year, make an appointment for Retirement Exit Counseling by contacting PSERS. Appointments are available throughout the year at various locations and times; but we suggest that you make your appointment as far in advance as possible. Please note that the majority of these sessions are scheduled during the regular work day, so you may need to take time off from work to attend.

Exit counseling helps to ensure a smooth transition and addresses any issues before you actually retire. Prior to your meeting, your counselor will review your account to be familiar with your work history and any special considerations of which you may need to be aware. At your Retirement Exit Counseling session, PSERS staff will explain all the option choices and the retirement process before you make your final, binding retirement decisions on your application. We will discuss the benefit processing time frames, working after retirement, and health insurance. Health insurance is a complex topic so it is important to research your options carefully. There is an informational handout in your packet regarding the PSERS Health Options Program (HOP) and Premium Assistance.

Your Application for Retirement must be received by PSERS no more than 90 calendar days after your termination date in order to receive retroactive retirement benefits. Even in those situations where there is a pending divorce action or purchase of service, in order to preserve retroactive benefits, the Application for Retirement must still be submitted within the 90-day time frame. If your Application for Retirement is received later than 90 calendar days after your termination date, your benefit will be effective on the date it is received.
If you need further information as you are planning for retirement, the PSERS website is filled with information including all of our available publications and forms. Again, if you are not planning to retire by the end of the school year, PSERS encourages you to use our online retirement estimate calculator.
Remember, contact us at 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
- Last four digits of your social security number
- Inquiry details
- Signature