

## Inside...

- Planning for Retirement
- Collective Bargaining Organization Leave of Absence
- State of the Fund

& More...

## Member Self-Service Portal Launching in 2017

PSERS will be launching the new Member Self-Service (MSS) portal this year. As mentioned in the previous newsletter, MSS is a secure portal that will provide you with 24-hour access to your retirement account from the convenience of your computer at home.

### What can I do with an MSS account?

In your MSS account, you will be able to:

- Receive and view your correspondence electronically.
- Update your phone numbers and email address.
- Update your mailing address.
- Nominate/change a beneficiary.
- View your *Statement of Account*.
- Elect Class T-E or Class T-F (if eligible).
- Elect multiple service membership (if eligible).
- Read PSERS-related news and alerts.
- View staff-prepared benefit estimates.
- Create personalized retirement estimates by using an online calculator.

### Who can register to use MSS?

PSERS members, alternate payees, and survivor annuitants can sign up for an MSS account.

### What information do I need to register for an MSS account?

You will need:

- A valid personal email address.
- Your date of birth and social security number.

### If I have an online PSERS account (Interaction), do I need to register for an MSS account?

Yes. MSS will **replace** Interaction and you will need to register for a MSS account. Interaction will be available to members until PSERS launches MSS. You will no longer have access to Interaction after MSS becomes available. Notices will be placed on the Interaction home page informing members when the Interaction system will be retired.

### When can I register for an MSS account?

PSERS will notify you in the next few months to register for an MSS account. Please watch for more information.

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## Planning for Retirement

Planning for retirement is one of the most exciting and challenging undertakings our members will encounter as they move on to their post-employment years. Please take advantage of our free resources to make your transition into retirement as smooth as possible.

If you are planning to retire within the next 12 months, be sure to:

- Request a staff-prepared estimate by submitting a *Request for Retirement Estimate* (PSRS-151) available on the PSERS website.
- Contact your employer to discuss benefits available such as payment for unused vacation, sick leave, sabbatical leave, and health insurance.
- Consult with a financial planner or tax consultant, if appropriate.
- Contact the Social Security Administration regarding your benefits, if applicable.
- Research your employer's guidelines for retiring, terminating, and resigning.
- Review helpful materials and presentations on the PSERS website.
- If you have not already done so, attend a Foundations For Your Future (FFYF) educational seminar conducted by PSERS staff. Registration is not required and a list of the local seminars in your area can be found on the PSERS website or by contacting PSERS directly.
- Schedule and attend a Retirement Exit Counseling session. Be sure to bring your staff-prepared estimate to your counseling session.

For a more detailed checklist, visit our website and select "Countdown to Retirement" under "Nearing Retirement."

If you have questions as you prepare for retirement, contact your PSERS regional office. Contact information is available on the PSERS website under "Regional Offices."

## Collective Bargaining Organization Leave of Absence

Collective Bargaining Organization Leave, sometimes referred to as Full Release Time, Union, or Association Leave, is an approved leave of absence for which a member may be entitled to receive service credit.

### Who is eligible?

An active member is eligible to take a leave for service with a collective bargaining organization if he or she is approved by the school employer to be placed on a **paid, full-time leave** for service with an employee union. There is no limit to the length of time a member may be on this type of leave nor are there any return requirements.

### How Does the Process Work?

The school employer submits a contract record to PSERS as UNIONC (Collective Bargaining Unit Leave(Contributing)) and reports to PSERS only the full contracted salary the member would have earned *as a school employee* during this type of leave of absence, not the salary the member is receiving as a union employee. Member contributions are to be deducted, remitted, and reported based on the full contracted salary, so salary, contributions, and service can be credited to the member's account with PSERS. The member is to receive all benefits during this leave that the member would have received as if the member remained in active service, such as seniority and salary increases.

Finally, in order for this type of leave to be eligible for pension credit, the union must reimburse the employer for the member's contracted salary as a *school employee* and all accompanying benefits as if the member remained in active service, including the **full amount** of the employer's pension contributions.

## About PSERS Board of Trustees

PSERS is governed by a 15-person Board of Trustees (PSERB). The members of the Board stand in a fiduciary relationship to PSERS members regarding the investments and disbursements of money of the Fund. In other words, the Board stands in the place of the members when dealing with the money in the Fund. As trustees of the Fund, the Board oversees the performance and investments of the Fund with full power to invest money subject to a "prudent investor standard."

Several key duties of the Board include:

- Annually establishing and monitoring the asset allocation for the Retirement Fund
- Approving the selection of external money managers
- Conducting an annual actuarial valuation
- Conducting an actuarial experience study and actuarial audit every five years
- Annually establishing the employer contribution rate
- Conducting an independent annual financial audit of PSERS
- Adjudicating all benefits appeals
- Interpreting the Retirement Code and ensuring the proper administration of member accounts.

PSERB meets approximately six times a year. Meetings are open to the public—a schedule is provided for you in this newsletter.

## Seminars to Help Your Understand Your Retirement Benefit

Regardless of the position you hold with your employer or how close you are to retirement, we suggest that you attend one of our Foundations For Your Future (FFYF) seminars at least once prior to retirement. These free 90-minute seminars are designed to provide you with the information you need to understand your PSERS retirement benefits and plan for your future. FFYF seminars are held around the Commonwealth throughout the year and allow members to meet and interact with a PSERS retirement counselor.

A complete list of seminars and a copy of our FFYF presentation can be found on the PSERS website by selecting "Foundations For Your Future (Educational Programs)" under "Nearing Retirement." Your employer will also be notified when FFYF seminars are happening in your area.

In the event of inclement weather, a seminar may need to be cancelled or rescheduled if the facility where it is to be held has closed or dismissed early. Please check the news section of the PSERS website to verify that the date and/or location of the meeting you wish to attend has not changed due to weather conditions or other unforeseen circumstances.

## PSERS Board of Trustees Meeting Schedule

**March 10, 2017**

**May 25, 2017**

**June 16, 2017**

**October 6, 2017**

**December 8, 2017**

PSERS Board meetings are held in Harrisburg at PSERS, located at 5 N 5th Street.

In addition to Board meetings, Committee meetings are held throughout the year. All PSERS Board meetings are open to the public.

For exact meeting times or if you would like to attend and require an accommodation to participate, please call Barbara Book, PSERS Executive Office at 1.888.773.7748, extension 4617.

**PSERS is proud to be an equal opportunity employer supporting workforce diversity.**

## Customer Service Improvements

**PSERS**  
5 N 5th Street  
Harrisburg PA  
17101-1905

**Toll-Free:**  
1.888.773.7748

**Local Calls:**  
717.787.8540

**FAX:**  
717.772.3860

**Phone Hours:**  
Weekdays (except holidays)  
8:00 a.m. - 5:00 p.m.

**Website Address:**  
[www.psers.state.pa.us](http://www.psers.state.pa.us)

**Email Address:**  
[ContactPSERS@pa.gov](mailto:ContactPSERS@pa.gov)

Through 2016, PSERS continued its multi-year effort to upgrade its entire pension administration system. This technology upgrade helps ensure the viability of PSERS' pension administration system into the future, and it will make future enhancements much easier to implement. These changes will not only directly increase customer service opportunities, but will also generate financial savings while potentially enabling PSERS to redeploy staff to other critical needs as workloads shift.

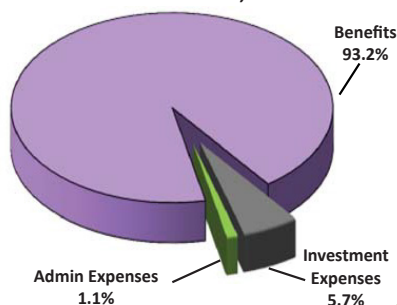
PSERS also expanded its program of reviewing active member accounts at periodic milestones during the member's career to ensure each detail of a member's account is accurately portrayed prior to the member applying for retirement. Nearly 24,000 accounts were reviewed in FY 2016, which included the milestone of reviewing all members identified as having 35 or more years of service.

PSERS increased its efforts to provide retirement benefits in a more efficient manner. Approximately 87% of the retirement benefits processed in FY 2016 were paid through a shorter, streamlined process. This shorter process allows for retirement benefits to be processed and finalized in one step rather than the previous two-step process.

For more articles like this one, refer to the Summary Annual Financial Report (SAFR) on the PSERS website under "Publications."

## Budgetary and Financial Governance

Total PSERS' Benefits and Expenses  
FY Ended June 30, 2016



PSERS participates in an annual independent, international benchmarking survey evaluating its costs and service performance in comparison to other public pension funds. Based on the most recent survey, PSERS had a 16% lower pension administration cost per member than the average cost for its peer group. By running a lean and efficient operation, PSERS saves the Commonwealth and school employers approximately \$7.3 million annually in administrative expenses compared to its peers.

PSERS' administrative budget is not funded by taxpayers through the Commonwealth's General Fund, but rather from the earnings of the Fund itself. Historically, PSERS has underspent its approved budget, keeping more funds available to invest for PSERS members.

PSERS is prudent in its use of funds and managing its annual budget. In FY 2016, PSERS entered into a new agreement for its hardware and server maintenance resulting in significant savings. PSERS reduced

mailings to members and is moving toward electronic newsletter distribution, producing savings in both printing and postage costs. Working with its actuary, PSERS continues to save actuarial fees by completing various analyses in-house. Other reductions were made in wages, overtime, travel, and training, all part of PSERS' ongoing efforts to control costs and improve operational efficiency.

For more articles like this one, refer to the SAFR on the PSERS website under "Publications."

## Misconceptions about Retirement

In previous issues, we discussed a few misconceptions PSERS members have when preparing for retirement. Here are two more that we believe you should be aware of as you plan your retirement.

***Misconception: You can separate from your employer to get an incentive, but wait to get your retirement from PSERS.***

Recognize that this may not always be possible. An employer may offer an incentive for you to retire by the end of the school year; however, you may want to delay your retirement from PSERS until you reach your 62<sup>nd</sup> birthday. **Check with your employer in advance because vesting your pension in this way may cause you to be ineligible for a particular incentive.**

***Misconception: Your benefits are paid to you immediately.***

Receiving your retirement benefit will take time. PSERS conducts a review of each account to ensure accuracy before paying a benefit. Remember, because the majority of members retire around the same time, it takes about two months after you have received your last pay from your employer to receive your benefit. Your benefit will be retroactive.

## Weather Closings and Service Credit

During the winter months, members may experience weather-related school closings that adversely impact working the necessary time to obtain one year of service credit with PSERS. Salaried or per diem employees must work 180 days, and hourly employees must work at least 1,100 hours, to earn one full year of service. If the member works to make up those days that were cancelled due to inclement weather, the service will be included in the school year (July 1 to June 30) in which the member actually worked. For example, when PSERS service credit is calculated, any time worked after July 1, 2015, to make up days worked for school year 2014-2015, will be included in school year 2015-2016.

Some employers may petition the Pennsylvania Department of Education (PDE) for a waiver to reduce the number of days that constitute a full school year. PSERS, however, operates under different legislation than PDE and does not consider the waiver when calculating PSERS service credits. If a member does not work the 180 days or 1,100 hours required to obtain one full year of service credit from July 1 to June 30, he or she will receive partial service credit for that year.

## Update Your Address

The United States Postal Service (USPS) returns more than 7,500 pieces of mail to PSERS each year due to incorrect addresses. It is essential for PSERS to have a valid mailing address on file for you. In the event that PSERS needs to contact you regarding any time-sensitive account issues, we need to make sure that our communication will reach you.

Additionally, you will want to ensure that you receive your *Statement of Account* from PSERS each year. The statement is a snapshot of your account for the previous school year, displaying your service credits attained, your contributions, and your estimated benefits. An invalid address on file will prevent you from receiving this document.

**If you are currently working in a Pennsylvania public school, please report any change of address to your employer.** Your employer will submit the information to PSERS.

If you left employment and have deferred receiving your retirement benefit, submit your address change to PSERS in writing. **You must include your signature and the last four digits of your social security number in the letter to ensure proper identification of your account.**



# Public School Employees' Retirement System as of June 30, 2016

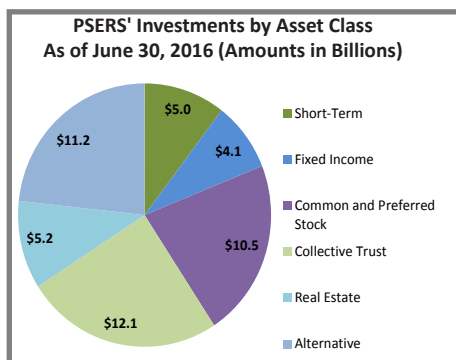
Highlights of PSERS' funding as of June 30, 2016, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2016* (CAFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS' website, [www.psers.state.pa.us](http://www.psers.state.pa.us), through the "Publications" page.



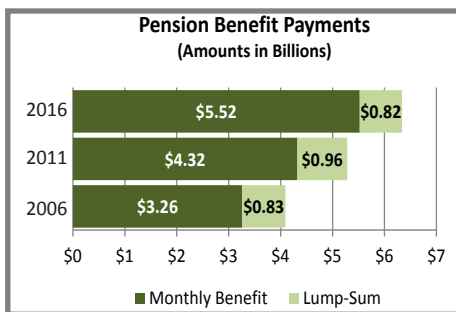
## Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$50.2 billion as of June 30, 2016. The System is the 20th largest state-sponsored public defined benefit pension fund in the nation and the 31st largest among public and corporate pension funds in the nation.

## Investments



- In FY 2016, PSERS earned a positive 1.29% net of fees return and added net investment income of \$474 million to the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 8.18% for the 25-year and 8.32% for the 30-year period ended June 30, 2016.
- Since the Great Recession ended in FY 2009, PSERS earned an annualized return of 9.16% net of fees.
- During FY 2016 PSERS increased the amount of asset exposure managed internally by PSERS investment staff from \$16.8 billion, or 30% of PSERS exposures, to \$19.2 billion, or 34% of the System's exposures.



## Pension Benefit Payments

- PSERS paid \$6.3 billion in total benefit payments for the fiscal year ended June 30, 2016.
- Of this amount approximately 90%, or \$5.7 billion, went directly into state and local economies. These pension disbursements are a significant economic driver that benefit the economy of the Commonwealth.
- PSERS' current monthly payroll includes \$467 million in pension benefits and \$9 million in premium assistance.

## Total Membership - Active & Retired

As of June 30, 2016, PSERS had over 257,000 active members and 781 school employers with an employer payroll of \$13.0 billion. In FY 2016, members contributed nearly \$1 billion in contributions to the Fund. PSERS also had nearly 225,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,203.

## Reducing Costs

- For the third year in a row, PSERS' investment manager fees have declined. PSERS' investment expenses decreased by over \$142 million, from \$558 million in FY 2013 to \$416 million in FY 2016, which is a reduction of over 25%.
- Based on the most recent international benchmarking survey, PSERS had a 16% lower pension administration cost per member than the average cost for its peer group. By running a lean and efficient operation, PSERS saves the Commonwealth and school employers approximately \$7.3 million annually in administrative expenses compared to its peers.

**Comparison of Total Accrued Liabilities to Total System Assets**  
For Valuation Year 2016 (\$ Amounts in Billions)

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2016	\$ 100.1	\$ 57.4	\$ (42.7)	57.3%

\* Accrued Liabilities - Generally PSERS' benefit obligations to current retirees and future benefits to be paid to active members who eventually retire.

\*\* Unfunded Accrued Liability - Shows the portion of the accrued liabilities not covered by assets available to PSERS at the end of the valuation year.

\*\*\* Funded Ratio - Measurement used to show PSERS' progress toward funding benefit obligations.

**Condensed Statement of Fiduciary Net Position as of June 30, 2016 (\$ Amounts in Millions)**

<b>Assets:</b>		
Receivables:		
Contributions due from members and employers		\$ 1,298
Investment receivables and other miscellaneous		1,898
<b>Total Receivables</b>		<u>3,196</u>
Investments (at fair value)		47,998
Securities lending collateral pool		2,093
Capital assets		23
<b>Total Assets</b>		<u>53,310</u>
<b>Deferred outflows of resources</b>		11
<b>Liabilities:</b>		
Benefits and other accounts payable		748
Investment purchases and other liabilities		328
Obligations under securities lending		2,093
<b>Total Liabilities</b>		<u>3,169</u>
<b>Deferred inflows of resources</b>		1
<b>Net Position - restricted for pension and postemployment healthcare benefits</b>		<u>50,151</u>

**Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2016 (\$ Amounts in Millions)**

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, July 1, 2015	\$ 51,885	A
Additions during the year:		
Contributions, Participant premiums, and Centers for Medicare & Medicaid Services	4,651	
Net investment income	474	
<b>Total Additions</b>	<u>5,125</u>	B
Deductions during year:		
Benefits and refunds paid to members	6,779	
Administrative expenses	80	
<b>Total Deductions</b>	<u>6,859</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)		(1,734) D
<b>Net Position - restricted for pension and postemployment healthcare benefits at end of year, June 30, 2016 (A + D)</b>	<u>\$ 50,151</u>	

Detailed information regarding the financial statements is available in the PSERS' CAFR and SAFR. The CAFR financial statements are presented in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

**PSERS**  
**5 N 5th Street**  
**Harrisburg PA 17101-1905**

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**Public School Employees' Retirement System**  
Important Information from the  
Commonwealth of Pennsylvania