

Inside...

- Disability Eligibility Requirements
- Shared Risk
- Auditor General Report

& More...

Your Options When Leaving Public School Employment

PSERS is a 401(a) Defined Benefit plan, and as such, guarantees a lifetime monthly benefit for vested members who choose to retire, regardless of their age at retirement. Even members terminating school employment in their 20s may qualify for an early retirement benefit if they are vested.

To be vested:

- Class T-C and Class T-D members need a minimum of 5 years of service credit or be age 62 or older with a minimum 1 year of service credit when they leave service.
- Class T-E and Class T-F members need a minimum of 10 years of service credit or be age 65 or older with a minimum of 3 years of service credit when they leave service.

Special rules apply if you terminated service before July 1, 2001. Contact PSERS for more information.

Did You Know?

All vested members of Class T-C and Class T-D, and Class T-E and Class T-F, who retire on or after June 12, 2017, have the option to withdraw their own contributions and interest **and** still receive a reduced lifetime monthly benefit. Non-vested members will only receive a refund of their contributions and interest.

The following questions and answers should help to better your understanding of your options upon leaving public school employment.

I am a vested member. What are my options when I leave service?

After you have vested, you will be eligible for one of three retirement types which will depend on your age and service when leaving public school service and applying for a monthly benefit:

- **Normal Retirement ("Superannuation")**
 - Members who have reached the criteria for normal retirement are entitled to receive an unreduced benefit.
- **Early Retirement**
 - Members who have not met the criteria for normal retirement will receive a reduced benefit. An early retirement factor is used to reduce the monthly benefit based on membership class, age at time of retirement, and years of service at time of termination.

(continued on page 2)

The Public School Employees' Retirement System (PSERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances, and is not a complete statement of the law or administrative rules. The statements in this document are not binding. In any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail. This document is designed solely to provide an overview of benefits available to PSERS members and is not intended to be a substitute for retirement counseling. The contents of this newsletter may not be used for any commercial purpose without PSERS' prior written permission.

Knowledge Check!

Q1: I am a vested member. If I withdraw my contributions and interest at the time of retirement, I will no longer receive a retirement benefit. **(True/False)**

Q2: I am a vested member and I am leaving public school service when I turn 35. It is possible for me to receive a retirement benefit at the time I terminate service. **(True/False)**

Q3: I cannot be working if I receive a PSERS retirement benefit. **(True/False)**

Q4: If I take an early retirement, my benefit will run out. **(True/False)**

Q5: I am not vested so I will lose all of my contributions and interest. **(True/False)**

(Your Options...continued from page 1)

- **Defer Retirement (“Vesting”)**
 - Members leave their contributions and interest in their PSERS account and postpone receipt of their benefit until a later date. Deferring retirement is also known as vesting your account. The account will continue to accrue interest at a rate of 4 percent compounded annually until retirement.

Please refer to the Active Member Handbook available at www.psers.pa.gov for more information.

Important Note about Deferring Your Retirement

The Internal Revenue Service (IRS) mandates that retirement benefits **to members who are no longer working** must begin to be distributed by April 1 of the calendar year following the year in which they attain age 70 1/2. If you left school service and turn age 70 1/2, then you are required to begin receipt of your retirement benefit from PSERS.

If you do not begin receiving your benefit, the IRS may impose a 50% penalty tax on the required amount not distributed. If you have questions, we encourage you to seek advice from your tax consultant or the IRS.

Example

Jennifer is a Class T-D member who left school employment five months past her 29th birthday. She has 7.00 years of service credit and a final average salary of \$35,000 with no PSERS account debts.

Early Retirement Option

Assuming no withdrawal of contributions and interest, she would be eligible for a Maximum Single Life Annuity monthly retirement payment of slightly more than \$120 immediately. Her accumulated contributions and interest total \$27,400. If she elects to withdraw that lump sum as part of her retirement, she will receive a monthly benefit of approximately \$20 because she removed \$27,400 from her actuarially-based total account value. In other words, the withdrawal of contributions and interest is actuarially reduced over the life of the benefit.

Deferring Retirement Option

If Jennifer chooses to defer retirement until she qualifies for normal retirement at age 62, her Maximum Single Life Annuity benefit increases to \$510 monthly because she has eliminated the early retirement reduction. In addition, the interest earned in subsequent years nearly triples the lump sum to just over \$80,800.

Please note that deferring retirement may not be the best option for everyone. Once you are within 12 months of the date you want to retire, you should contact PSERS for a staff-prepared estimate for information to help you make the best decision. **(continued on page 3)**

(Your Options...continued from page 2)

How do I apply to receive retirement benefits?

Retirement benefit payments do not begin automatically. You must terminate from all public school employment and you must submit an *Application for Retirement* (PSRS-8) to start to receive your retirement benefit.

To have your retirement benefit effective upon terminating all public school employment or the date you are eligible for normal retirement, you must submit your *Application for Retirement* within 90 days of that date. If your application is received beyond the 90-day time frame, you will not be able to collect your benefit retroactive to the day after your termination date.

How do I know which option is best for me?

To assist members, PSERS provides resources such as *Foundations For You Future* programs, Retirement Exit Counseling sessions, estimate calculators, and staff-prepared estimates to members free of charge. PSERS cannot offer financial advice or tell you which option is best for you. Discussing PSERS retirement options with a financial advisor may help you determine the option best for you.

A Tale of Caution:

Meghan, a PSERS member preparing for retirement, hired a financial advisor. She also attended a PSERS Exit Counseling session and was informed verbally and in writing that her application needed to be submitted within 90 days (not 3 months!) of her last day of service if she wished to receive payments retroactive to her last day of service. Meghan asked the advisor to submit her *Application for Retirement* (PSRS-8) on her behalf. Her financial advisor, however, failed to submit her application until after the 90 day deadline. **Meghan will not receive benefit payments retroactive to her last day of service.** With a monthly benefit of \$2,000, Meghan will not receive \$6,000 in retirement benefits she would have received had her paperwork been submitted on time. The failure of the financial advisor to timely submit Meghan's application is not an exception to the deadline.

If you prefer to have your financial advisor submit your retirement application, PSERS recommends that you follow up with your financial advisor to ensure important documents are submitted on time.

PSERS' New Member Self-Service (MSS) Portal: Your Pension Account—Online Anytime

PSERS' goal is to give members greater access to their pension plan account information and to allow them to manage their personal profile securely online, anywhere, anytime. We will be implementing a new MSS portal in the spring of 2018 to provide members with that secure access to their accounts.

With MSS, members will be able to utilize new and improved features including the following:

- Manage/update personal information—phone numbers, email address and mailing address, including the ability to have your address change automatically at a future date (e.g., if you will be moving or will be living elsewhere for an extended period of time)
- Nominate beneficiary(ies), if eligible
- Elect Class T-F membership (if eligible) and receive immediate confirmation of your election.
- Elect multiple service membership (if eligible)
- Receive email notification when your documents are available (e.g., *Statement of Account*, newsletters, purchase of service statements of amount due and other PSERS-specific correspondence)
- Receive personalized alerts about your account, including an alert when you have changed your address, elected multiple service, and more
- View a summary of your account.
- Print important documents (e.g., *Statement of Account*, staff-prepared estimates, and more)
- Create retirement estimates
- Stay current with PSERS-related news

The new MSS Portal is an important step PSERS is taking on the path of continuous member service improvement. It is part of our long-term goal to give members greater access to their pension plan account information and to manage their personal account securely online, anywhere, anytime.

Disability Eligibility Requirements

The PSERS disability retirement benefit is an actual retirement benefit, and not an insurance policy that supplements your salary while you are unable to work. A member who is granted a disability retirement benefit by PSERS will receive a monthly retirement benefit payment for as long as the member is deemed disabled and comply with other requirements. Disability retirement benefits may be granted on a long-term or short-term basis and may be reviewed at any time. Disability benefits are subject to approval, denial, or renewal based on your medical information.

To qualify for a disability retirement benefit, you must:

- Have at least five years of credited service with PSERS.
- Be physically or mentally unable to perform the duties stated in your job description.
- Have become disabled while an active member of PSERS. Should you become disabled after you terminate service with your employer, you are not eligible for a PSERS disability retirement benefit.
- Be disabled at the time you submit your *Application for Disability Retirement* (PSRS-49).
- Apply for disability retirement benefits **within two full school years of your last day of active service or paid leave**, whichever is later.*

**For example, if you leave service in November of the current school year, you have two school years (July 1 through June 30) from the close of the current school year to apply. If you do not apply within the two school years, you will forfeit all rights to apply for a disability retirement benefit.*

If you choose to apply for a disability retirement while still employed, you must be on an unpaid leave and apply within two school years of your last day of active service. PSERS does not require a termination of employment, but some school employers may require termination.

Contact your PSERS regional office for counseling and to apply for a PSERS disability retirement benefit. A PSERS counselor will assist you with the completion of the PSERS Disability Packet. If you apply for a disability retirement benefit and PSERS denies your request, you may appeal to the Executive Staff Review Committee.

Please refer to the *Let's Talk About Disability Retirement Benefits* pamphlet available on the PSERS website at www.psers.pa.gov or contact PSERS for more information.

PSERS Anticipates it will meet Shared Risk Investment Target

Act 120 of 2010 implemented an innovative risk-sharing program for all members who first enrolled in PSERS after June 30, 2011. With the shared risk program, Class T-E and Class T-F members benefit when investments of the fund are doing well but share some of the risk when investments underperform. The member contribution rate begins at the basic contribution rate established for Class T-E or Class T-F members and is subject to an increase or decrease of 0.5 percent every three years depending on PSERS investment performance. With the passage of Act 5 of 2017 the member contribution rate, however, will never go below 5.5 percent for Class T-E and 8.3 percent for Class T-F members, nor above 9.5 percent for Class T-E and 12.3 percent for Class T-F members.

PSERS anticipates that its investment performance will meet the shared risk target range for the six-year evaluation period ending June 30, 2017. This will be the second time that PSERS has been successful in meeting the targeted investment performance resulting in no increase to the member contribution rate. At its December 2017 meeting, the PSERS Board will certify the member contribution rates for Class T-E and Class T-F members effective for the three year period from July 1, 2018 to June 30, 2021. The next evaluation period ends June 30, 2020, and will establish the shared risk contribution rate effective July 1, 2021.

Looking Forward to Retirement: Make Sure You Are Covered

Look for This Card at the *Foundations for Your Future* Meetings

Did you know the Health Options Program is one of the most competitive retiree health plans available? PSERS wants all eligible members to know that this coverage is available at retirement.

Getting started is easy. If you are planning to attend one of the *Foundations for Your Future* meetings in the next several months, look for this card. Then, just fill it out and drop it in the mail—it's even prepaid, so there's no need for postage. In return, you will receive a package that provides you with information about the medical, prescription drug and dental plan options available through the Health Options Program.

Enroll on time and save. If you enroll in the HOP Medical Plan within 180 days of your 65th birthday, you will receive a discount on your premium. Additionally, you could be eligible for premium assistance and *save up to \$24,000 on premiums* over your lifetime.

Misplaced your card? No problem! Simply call the HOP Administration Unit at 1.800.773.7725 to request an information kit.

Adhesive Strip Area

Information Request Card

If you'd like more information about the comprehensive medical, prescription drug and dental coverage available through the **Health Options Program**, fill out this card. Simply provide the information requested below and then, fold and seal it, and drop it in the mail. No stamp is needed because the postage is pre-paid.

Name (First, Last): _____

Street: _____

City: _____

State: _____ Zip Code: _____

E-mail: _____

Phone Number: _____

Health Options Program 2017

Retiree Health Coverage Especially For PSERS Members

Pennsylvania Public School Employees' Retirement System (PSERS)

Health Options Program

HOP
www.hoppsers.com

Auditor General Report

The Pennsylvania Department of the Auditor General recently completed a complex Performance Audit of PSERS. The objectives of the audit were (1) Pension Forfeiture Law compliance; (2) PSERS' Governance Structure and oversight of Investment Operations; (3) External Investment Manager fees; (4) Risk Management Strategies over the Investment Portfolio; and (5) Implementation of prior audit findings and recommendations from their report issued in September 2006. During the 9-month audit, PSERS responded to 72 detailed data requests and participated in multiple interviews and briefings with the Audit Team.

Overall, the Performance Audit Report opined that PSERS reporting and transparency of investment expenses surpasses our peer public pension funds; PSERS management of investment expenses appears standard; PSERS attention to asset allocation, diversification and risk management appears adequate and reasonable; and PSERS has complied with the Public Employee Pension Forfeiture Act. There are no findings that suggest any fraud, waste or abuse of funds or any instances where poor decisions, policies or practices of the PSERS Board or Staff have resulted in losses to the fund or violations of applicable laws or regulations. Many of the findings and recommendations are procedural and administrative in nature. PSERS Management accepted these findings and recommendations in the spirit of continuous improvement of the administration of the System.

To view the entire Performance Audit Report along with PSERS Management Responses, please visit:
<http://www.paauditor.gov/audit-report/item/44926>

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.pa.gov

Email Address:
ContactPSERS@pa.gov

PSERS Board of Trustees Meeting Schedule

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.

Act 5 of 2017

Pension reform, now known as Act 5 of 2017, was signed into law on June 12, 2017. Act 5 of 2017 impacts PSERS members as follows:

RETIRED PSERS MEMBERS – Act 5 **does not impact** already retired members or Class T-E and Class T-F members whose retirement date was prior to June 12, 2017.

CURRENT T-C AND T-D MEMBERS – The only impact to Class T-C and Class T-D members is an election opportunity. It allows Class T-C and Class T-D members, active on July 1, 2019, to switch from the current defined benefit plan to one of the three new retirement plan options, if they so choose.

CLASS T-E AND T-F MEMBERS – Act 5 allows an actuarially neutral Option 4 “lump sum” withdrawal of member contributions for members whose retirement date is on or after June 12, 2017, and makes modifications to the “shared risk” program that allows members to benefit when the Fund outperforms its investment rate of return assumption. The new law also allows Class T-E and Class T-F members, who are active on July 1, 2019, to switch from the current defined benefit plan to one of the three new retirement plan options if they so choose.

NEW MEMBERS OF PSERS AFTER JULY 1, 2019 – School employees who first become new members of PSERS after July 1, 2019, will have one of three new retirement plan options for their retirement benefits. The current defined benefit plan will not be available to new members.

NEW RETIREMENT PLAN OPTIONS - The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

For more information, please see the full press release. You can access this press release from the PSERS home page at www.psers.pa.gov.

Seminars to Help You Understand Your Retirement Benefit

Each year, PSERS reviews and revises the Foundations For Your Future (FFYF) program to help you better understand your PSERS retirement benefits and plan for your future. Regardless of the position you hold with your employer or how close you are to retirement, we suggest that you attend this free program at least once prior to retirement. FFYF programs are held around the Commonwealth throughout the year and enable members to meet and interact with a PSERS retirement representative.

FFYF programs cover topics that will help you better understand your retirement by answering questions such as:

- What does my *Statement of Account* tell me?
- What are purchases of service? How do I apply to purchase service?
- When should I retire?
- How much will I receive?
- What do all the numbers on my estimate mean?
- What are the next steps I need to take and when?

The schedule for FFYF programs and a copy of our FFYF presentation can be found on the PSERS website by selecting "Foundations for Your Future" under "Leaving Employment."

Your employer will also be notified when FFYF programs are happening in your area.

In the event of inclement weather, a program may be cancelled or re-scheduled if the facility where it is to be held has closed or dismissed early. Please check 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. Registration is not required and you are free to bring guests.

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. This is a waste of resources and prevents you from receiving important information. 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.

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 have left public school employment, 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 correspondence to ensure proper identification of your account.**

Knowledge Check Answers

A1: False. If you are vested and withdraw your contributions and interest at the time of retirement, you can still receive a monthly retirement benefit.

A2: True. If you are vested, you can retire at age 35. Your monthly benefit will have a lifetime reduction based on early retirement factors, but you will still be able to retire and receive a lifetime monthly retirement benefit beginning at age 35.

A3: False. You can still work while receiving a retirement benefit from PSERS as long as you do not work for an employer who must enroll you with PSERS (e.g., Pennsylvania public schools) or you satisfy one of the exceptions to the return to service requirements. Refer to the *Return to Service Guidelines and Clarifications* (Publication #9682) for more information.

A4: False. An early retirement, like normal retirement, guarantees a monthly retirement benefit from PSERS for your lifetime.

A5: False. Non-vested members who have terminated public school employment can apply to receive a refund of their contributions and interest. Interest stops accruing upon termination for non-vested members.

PSERS
5 N 5th Street
Harrisburg PA 17101-1905

PRSRT STD
U.S. Postage Paid
Harrisburg PA
Permit No. 254

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