

# PSERS Active Member Newsletter

Volume I - 2020

A publication of the Commonwealth of Pennsylvania's Public School Employees' Retirement System

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## Active Member Board Election

Mr. Jason Davis, a teacher in the Penn-Trafford School District, ran unopposed and was re-elected by acclamation for one of three board seats held by active certified PSERS members.

Mr. Davis has served on the PSERS board since 2017. Mr. Davis has a master's degree from Duquesne University. He worked at Mellon Bank's institutional trust sector for four years before becoming a public school teacher of economics, AP Microeconomics, and Macroeconomics.

The 15-member Board of Trustees is an independent administrative board of the Commonwealth. The Board stands in a fiduciary relationship to the members of PSERS regarding investment decisions and disbursements of the System's funds. The Board also performs other functions outlined in the Public School Employees' Retirement Code, such as certifying contribution rates, authorizing the actuarial valuation and independent audit of the System, and publishing an annual financial statement of the condition of the Retirement Fund. In addition, the Board oversees the operational activities performed by the System's Executive Director and Chief Investment Officer.

## PSERS Disability Retirement Eligibility

A member, who is unable to perform current public school employment duties for medical reasons, may apply for a PSERS disability retirement benefit in lieu of a regular (normal or early) retirement. A monthly disability retirement benefit is paid by PSERS provided the member continues to be disabled and he or she complies with other requirements. A disability retirement benefit is subject to approval, denial, and renewal based on the medical information submitted. A disability retirement benefit may be granted on a long-term or short-term basis, but is subject to review by PSERS at any time for any reason to ensure continued disability and compliance.

To qualify for a disability retirement benefit, you must:

- Be a Class T-C, Class T-D, Class T-E, Class T-F, Class T-G, or Class T-H member.
- 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).

## Act 5 Election Results

Act 5 of 2017 offered Class T-C, Class T-D, Class T-E, and Class T-F members a one-time option to elect into a membership class that offered a defined contribution (DC) component: Class T-G, Class T-H, or Class DC. The election window opened on September 1, 2019, and closed on November 30, 2019.

Of approximately 250,000 members who were eligible to elect, a total of 10 members elected a new membership class.

- 8 Elected Class DC
- 2 Elected Class T-G
- 0 Elected Class T-H

The election into the new class took effect January 1, 2020.

## Eligibility for Disability Retirement (cont.)

- 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 not be eligible to apply for a disability retirement benefit.*

Meeting the eligibility criteria above does not guarantee that you will be approved, but you must meet these factors to be considered. Disability benefits are approved by PSERS based on your medical documentation and your job description.

If you choose to apply for a disability retirement while still employed, you must be on an unpaid leave of absence 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.

Please refer to the *Let's Talk About Disability Retirement Benefits* pamphlet, which is available on the PSERS website at [psers.pa.gov](http://psers.pa.gov), or contact PSERS for more information. You may also contact PSERS for counseling and to apply for a PSERS disability retirement benefit. A PSERS retirement representative will assist you with the completion of the PSERS Disability Packet.



For more information, refer to the *Let's Talk About Disability Retirement Benefits* pamphlet, which is available on the PSERS website at [psers.pa.gov](http://psers.pa.gov), or contact PSERS.

## Member Self-Service (MSS) Portal Status Update

PSERS launched its Member Self-Service (MSS) Portal in March 2018. Since then, more than 147,000 members have registered. These members completed more than 158,000 transactions, with nearly all of the transactions being "straight-through processes" (processes that are completed immediately).

PSERS' Paperless Delivery has not only ensured faster communication with members than mail but has also saved the System more than \$500,000 in printing and mailing costs!

## Planning for Retirement

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), which is available on the PSERS website and the MSS Portal or by calling PSERS at 1.888.773.7748.  
*Keep in mind: Your actual date of retirement is determined by your last paid day of employment, timely submission of your Application for Retirement (PSRS-8), and whether or not you choose to delay your retirement by vesting your account.*
- 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 needed.
- Contact the Social Security Administration regarding your benefits, if applicable.
- Research your employer's guidelines for retiring, terminating, and resigning.
- Review helpful resources on the PSERS website such as the online estimate calculator, tax calculator, pamphlets and handbooks, and the Countdown to Retirement Checklist.
- If you have not already done so, attend a Foundations for Your Future (FFYF) program conducted by PSERS staff. Registration is not required and a list of programs in your area can be found on the PSERS website or by contacting PSERS directly. (If you are unable to attend a live FFYF program, the presentation can be viewed on the PSERS website.)
- Schedule and attend a small group Retirement Exit Counseling session. Be sure to bring your staff-prepared estimate to your counseling session.

For a more detailed checklist about preparing for retirement, visit our website and select "Countdown to Retirement" under "Nearing Retirement." If you have questions as you prepare for retirement, contact PSERS.

## Shared Risk/Shared Gain Provision

Act 120 of 2010 and Act 5 of 2017 included an innovative risk-sharing program for all members who are new to PSERS after June 30, 2011. With the shared risk/shared gain provision, Class T-E, Class T-F, Class T-G, and Class T-H 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 base rate within the specified range and is subject to an increase or decrease by a specified increment every three years, depending on the investment performance of PSERS.

Class	DB Base Rate	Shared Risk/ Shared Gain Increment	Min	Max
<b>Class T-E</b>	7.50%	+/-0.50	5.50%	9.50%
<b>Class T-F</b>	10.30%	+/-0.50	8.30%	12.30%
<b>Class T-G*</b>	5.50%	+/-0.75	2.50%	8.50%
<b>Class T-H**</b>	4.50%	+/-0.75	1.50%	7.50%

**\*+2.75% DC Component; \*\*+3.00% DC Component**

The next evaluation period will be based on PSERS' previous nine years of investment experience, ending June 30, 2020. Eventually, the evaluation period will be based on ten years of investment experience, once a full ten years have passed since the passage of Act 120 of 2010.

So what's next? After the close of the June 30, 2020, evaluation period, PSERS investment performance will be finalized. The PSERS Board will certify the member rate at their December 2020 Board meeting.

- If the shared risk benchmark is not met, member contribution rates will increase for the next evaluation period to 8.0% for Class T-E members, 10.8% for Class T-F members, 9.00% for Class T-G members, and 8.25% for Class T-H members.
- If the shared risk benchmark is exceeded, member contribution rates will decrease for the next evaluation period to 7.0% for Class T-E members, 9.8% for Class T-F members, 7.50% for Class T-G members, and 6.75% for Class T-H members.

Any changes in the member contribution rate will be announced in the January 2021 newsletter and will go into effect July 1, 2021. If the member contribution rate changes, the new rate would remain in effect until after the next three-year evaluation period.

## PSERS Board of Trustees Meeting Schedule

January 16, 2020

March 5, 2020

June 11, 2020

August 6, 2019

October 8, 2019

December 2, 2019

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 Dennis Filipovich, PSERS Executive Office at 1.888.773.7748, extension 4617.

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

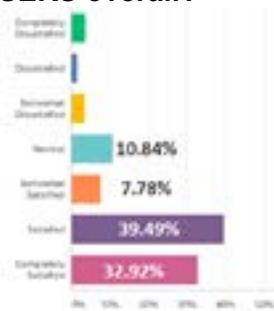
## Benchmarking Survey: The Results are In!

Using questions developed by a global pension benchmarking organization, PSERS sent an engagement survey to all members with an email address on file in October 2019. This brief survey that provided us with valuable feedback about your opinion of PSERS and your retirement.

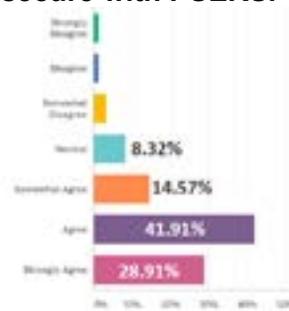
Below is a summary of your responses.

- There was a total of 4,369 responses with 54.43% retired members and 45.57% active members.
- More than 80% of respondents ranged from completely to somewhat satisfied with PSERS overall.
- More than 85% of respondents ranged from completely to somewhat agreeing that they feel confident their retirement is secure with PSERS.
- More than 84% of respondents ranged from completely to somewhat agreeing that PSERS operates in their best interest.
- More than 80% of respondents ranged from completely to somewhat agreeing that PSERS acts ethically.

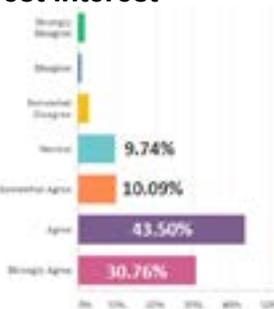
### How satisfied are you with PSERS overall?



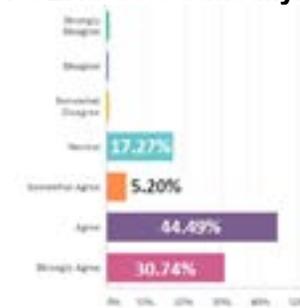
### I feel confident my retirement is secure with PSERS.



### I know PSERS operates in my best interest



### PSERS acts ethically.



PSERS is committed to continually evaluating and optimizing the experience of its members and are seeking ways to improve your experience. Thank you to all who responded! We value your feedback.

## Free Educational Programs to Prepare You for Retirement

Each year, PSERS conducts hundreds of educational outreach programs called Foundations for Your Future (FFYF) 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 recommend that you attend this free program at least once prior to retirement. PSERS has found that many members attend these sessions multiple times before they retire. These programs are held around the Commonwealth throughout the year and provide members with the opportunity 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 are purchases of service?
- How do I apply to purchase service?
- When can I retire?
- How is my pension calculated?
- What do all the numbers on my retirement estimate mean?
- What retirement milestones should I consider?

The schedule for FFYF programs and a copy of the FFYF presentation can be found on the PSERS website by selecting "Foundations for Your Future" under "Leaving Employment." In the event of inclement weather, a program may be cancelled or rescheduled if the facility where it is to be held has closed or dismissed early. Please check the PSERS website or Twitter (@PA\_PSERS) 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 welcome to bring guests.

*Please note, FFYF programs do not include information for Class T-G, Class T-H, or Class DC members at this time.*



## Can I Borrow from My Account?

No. To protect your PSERS benefit until retirement, the Public School Employees' Retirement Code prohibits members from borrowing money from or against their account. Funds in your PSERS account cannot be used for collateral and cannot be attached or assigned. You will receive funds from your account only after you terminate service and apply for a retirement or a refund/distribution of your contributions and interest.

Additionally, you may not liquidate your monthly benefit into a lump-sum payment when you retire.

**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:**  
[psers.pa.gov](http://psers.pa.gov)

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

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# Public School Employees' Retirement System as of June 30, 2019

Highlights of PSERS' funding as of June 30, 2019, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2019* (CAFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS' website, [psers.pa.gov](http://psers.pa.gov), under "Financial Publications."

PSERS' Total Net Position  
(as of fiscal year ended June 30, 2019)

**\$59.1 Billion**

## Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$59.1 billion as of June 30, 2019.



## Investments

- In FY 2019, PSERS earned a positive 6.68% net of fees return and added net investment income of \$3.6 billion to the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 9.02% for the 10-year, 8.08% for the 25-year and 8.25% for the 30-year period ended June 30, 2019.
- As of June 30, 2019, PSERS investment professionals were managing approximately \$24.9 billion, or 39% of the System's asset exposures in-house. For FY 2019, by managing assets internally, PSERS was able to save approximately \$50 million in manager fees.



## Pension Benefit Payments

- PSERS paid \$6.7 billion in total benefit payments for the fiscal year ended June 30, 2019.
- Of this amount nearly 93%, or \$6.3 billion, went directly into state and local economies. PSERS pension benefits are a significant economic driver that benefit the economy of the Commonwealth.

## Total Membership - Active & Retired

As of June 30, 2019, PSERS had approximately 256,000 active members and 773 school employers with an employer payroll of \$13.8 billion. In FY 2019, members contributed more than \$1 billion in contributions to the Fund. PSERS also had over 237,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,498.

## Reducing Costs

- Based on the most recent international benchmarking survey, PSERS had a 13% 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 \$6.2 million annually in administrative expenses compared to its peers.
- PSERS recently embarked on an expanded effort to reduce investment base fees on a going forward basis in exchange for profit-sharing fees, thus creating greater incentive for exceptional performance.

## Comparison of Total Accrued Liabilities to Total System Assets For Valuation Year 2019 (\$ Amounts in Billions)

The 58.1% actuarial funded ratio as of June 30, 2019 is a significant turning point for the System as future funded ratio projections are now projected to rise; reversing years of decline since the 123.8% funded peak at June 30, 2000. On a market value basis, PSERS' funded ratio, also continued to increase.

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2019	\$ 105.3	\$ 61.2	\$ (44.1)	58.1%
2018	\$ 103.1	\$ 58.2	\$ (44.9)	56.5%

\* 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, 2019 (\$ Amounts in Millions)

<b>Assets:</b>	
Receivables:	
Contributions due from members and employers	\$ 1,671
Investment receivables and other miscellaneous	901
Total Receivables	<u>2,572</u>
Investments (at fair value)	57,729
Securities lending collateral pool	4,518
Capital assets	21
Miscellaneous	25
<b>Total Assets</b>	<u>64,865</u>
<b>Liabilities:</b>	
Benefits and other accounts payable	757
Investment purchases and other liabilities	292
Obligations under securities lending	4,518
Other Liabilities	163
<b>Total Liabilities</b>	<u>5,730</u>
<b>Net Position - restricted for pension, DC, and postemployment healthcare benefits</b>	<u>59,135</u>

### Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2019 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, July 1, 2018	\$ 56,729	A
Additions during the year:		
Contributions, DC Participant premiums, and Centers for Medicare & Medicaid Services	6,108	
Net investment income	3,635	
<b>Total Additions</b>	<u>9,743</u>	B
Deductions during year:		
Benefits and refunds paid to members	7,237	
Administrative expenses	100	
<b>Total Deductions</b>	<u>7,337</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)	2,406	D
<b>Net Position - restricted for pension, DC, and postemployment healthcare benefits at end of year, June 30, 2019 (A + D)</b>	<u>\$ 59,135</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