

PSERS Active Member Newsletter

Volume I - 2021

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

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Shared Risk Update: Member Contribution Rate Will Not Increase

At the December 2020 meeting, the PSERS Board certified the member contribution rates for Class T-E, Class T-F, Class T-G, and Class T-H members effective from July 1, 2021 to June 30, 2024. Because PSERS investment performance met the shared risk target range for the nine-year evaluation period ending June 30, 2020, the member contribution rate will remain at its current rate (see chart below).

Act 120 of 2010 and Act 5 of 2017 created an innovative risk-sharing program for all members who first enrolled in PSERS after June 30, 2011 (Class T-E, Class T-F, Class T-G, and Class T-H members). Members under the "shared risk/shared gain" provision benefit when investments of the fund are doing well but share some of the risk when investments underperform. Defined Benefit (DB) contribution rate may increase or decrease by 0.50% or 0.75% within the specified range once every three years.

Class	Defined Benefit Base Rate
Class T-E	7.50%
Class T-F	10.30%
Class T-G*	5.50%
Class T-H**	4.50%

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



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PSERS Continues Service to Members

PSERS continues to be available to its members online and over the phone. All PSERS offices are open for picking up or dropping off documents but staff cannot conduct in-person counseling or presentations. Members should call/email or mail/fax documents to avoid person to person contact when feasible. To protect our staff and our members, masks are required when you enter any PSERS building.

In addition, PSERS is continuing to provide members with educational presentations to assist them with their retirement journey. The very important small group retirement Exit Counseling Sessions for members retiring within the next year are being conducted online and over the phone. For those members who do not attend an exit counseling session, PSERS has seen a significant increase in the number of retirement applications being completed with errors, even by financial planners. While the in-person conducting of the general educational Foundations for Your Future (FFYF) sessions are not occurring because of health and safety precautions, the content of these sessions have been incorporated into six video segments that can be viewed on the PSERS website.

Regarding office closures or re-openings, please continue to check our website psers.pa.gov and follow our social media for the most up-to-date information.

Twitter: [@PA_PSERS](https://twitter.com/PA_PSERS)

Facebook: [@PennPSERS](https://www.facebook.com/PennPSERS)

Contacting Us:

PSERS retirement representatives are available by phone at 1.888.773.7748, or send us a message through our Contact Form on psers.pa.gov. You can always send us a message through the Secure Message function in your Member Self-Service (MSS) account.



PSERS Continues Service to Members Remotely

Since the March 16, 2020, office closure PSERS has:

- Processed over 7,500 retirements.
- Issued over 3,200 refunds.
- Responded to over 97,000 emails.
- Answered over 100,000 phone calls.
- Processed nine monthly benefit payrolls that included over 2.1 million payments to members of approximately \$4.6 billion, remotely.

Numbers as of November 30, 2020

New Digital Resources for Members

PSERS is pleased to offer new resources you can access from home to better understand your retirement benefits and financial wellness. These new resources are available to better assist you remotely during the current environment, but PSERS retirement representatives are still available to assist you by phone and online through PSERS contact form.

- **Class Election Videos for New Class T-G Members:** Three new videos to help new members understand their PSERS benefit and their membership class options. Class election videos are located on psers.pa.gov under *New Members>Class Election Videos*.
- **Foundations for Your Future (FFYF) Presentation for Class T-C, Class T-D, Class T-E, and Class T-F Members:** Regardless of the position you hold with your employer or how close you are to retirement, PSERS recommends that you review the FFYF presentation. The presentation covers topics that will help you better understand your retirement by answering questions about purchase of service, retirement milestones, retirement benefit calculations, and estimates. Recordings of the FFYF presentation are provided on the PSERS website in addition to a PDF of the presentation under *Leaving Employment>Foundations for Your Future*.
- **Recorded Financial Wellness and Investment Presentations for Class T-G, Class T-H, and Class DC Members:** These recorded presentations are available through your PSERS Defined Contribution (DC) online account and on psers.pa.gov. You can access your DC account through the Member Self-Service (MSS) Portal. While these presentations are designed for Class T-G, Class T-H, and Class DC member, the financial wellness and investment could be helpful to all PSERS members. Topics for these recorded presentations include: Voya Account Introduction, Target Date Investments, Budgeting Concepts, myOrangeMoney, Investment Concepts, Voya Quarterly Statement

PSERS Active-Certified Board Election

There was no active-certified member board election in 2020 as only one candidate qualified for the election. Mr. Christopher SantaMaria from Wallingford, PA was certified by the Board of Trustees at the December 2020 Board meeting. In accordance with Section 46 of Robert's Rules of Order, Mr. SantaMaria was declared "elected by acclamation" by the Board of Trustees at the December 2020 meeting.

Mr. SantaMaria has served as a PSERS Trustee for three four years and currently serves as the Board Chair. Mr. SantaMaria is currently an educator in the Lower Merion School District teaching social studies for the past 27 years. He holds a B.A. in History from Washington College and a M.Ed. from Cabrini College. He has been teaching high school social studies for 35 years. Mr. SantaMaria was Social Studies Department Chair at Harriton High School from 1999 to 2011, and currently teaches AP United States Government & Politics and IB History. He served as President of the Lower Merion Education Association from 2007 to 2018. In that capacity Mr. SantaMaria was chief negotiator for the employment contract for the 1450 Lower Merion School District employees. He is a member of the National Council on Teacher Retirement, has taught macro and micro economics, and is familiar with institutional investing, investment strategies, portfolio allocations, health plans, and annuities. He is married with two daughters.

Eligibility for PSERS Disability Retirement Benefit

A member, who is unable to perform his or her 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.

To be eligible to apply 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. Please note that Class DC members are not eligible for a PSERS disability retirement benefit.
- Have at least five years of credited service with PSERS.
- Be physically or mentally unable to perform the duties stated in your job description.
- Be disabled as of the date you left your job, meaning the disability must have occurred or manifested while you were an active PSERS member. Should you become disabled after you are no longer an active PSERS member or after terminating service with your employer, you are not eligible to apply 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 PSERS service or qualifying paid leave, whichever is later.*

***Example:** Member's last day of active PSERS service is February 15, 2020. Because this date occurs within the 2020-2021 school year, the disability filing deadline would be June 30, 2023, as shown below:
Last active service occurred within school year 2020-21
Full school year #1 – July 1, 2021 – June 30, 2022
Full school year #2 – July 1, 2022 – June 30, 2023

If you do not apply within the two school years, you will not be eligible to apply for a disability retirement benefit regardless of your physical or mental incapacity to perform your job. Eligibility for a disability retirement benefit with PSERS is NOT contingent on the application, approval, or receipt of other benefits such as workers' compensation or Social Security benefits.

Your application for disability retirement benefits is reviewed by PSERS' medical examiners to determine whether your mental or physical condition prevents you from continuing to perform your job duties. Approval of a disability retirement benefit will be based on your job description and the medical documentation that

you submit. You have the responsibility to provide PSERS with sufficient medical evidence to support your disability and to promptly respond to any requests for additional medical evidence.

If you apply for a disability retirement while still being paid and reported to PSERS by your school employer, your employer must place you on an unpaid leave of absence within 30 days after PSERS receives your *Application for Disability Retirement*. PSERS does not require the employer to submit to PSERS a formal termination of employment, but you cannot be actively reported to PSERS and receive a disability retirement benefit. Please note that some school employers may require your resignation or termination.

Some things to remember after being approved:

- A monthly disability retirement benefit is paid by PSERS provided you continue to be disabled and you comply with all annual filings for a renewal and reporting of earnings.
- A renewal of a disability retirement benefit is subject to approval or denial based on updated medical information submitted. Failure to provide update and adequate supporting documentation, particularly documentation requested by PSERS' medical examiners, will result in a denial.
- A disability retirement benefit may be granted on a long-term or short-term basis, but there is no partial disability that would allow you to continue to work in your position.
- Working in any capacity may call into question your continued disability.
- A disability retirement benefit is an actual retirement benefit subject to review by PSERS at any time for any reason to ensure continued disability and compliance with the Retirement Code.

Please refer to the *Let's Talk About Disability Retirement Benefits* pamphlet, which is available on the PSERS website at 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 your safety, PSERS is conducting disability counseling sessions remotely via phone or online during this time.

PSERS Behind the Scenes

Introduction to PSERS' Bureau of Administration (BOA): Facilities and Administrative Services, Imaging Operations, and Continuity of Operations

Mission: *Our mission is to plan, build, operate, and maintain PSERS' facilities and to provide administrative support and safety services in support of the PSERS community.*

BOA has worked continuously throughout the pandemic.

- **Facilities and Administrative Services**

Facilities is responsible for the day-to-day operation of the building, grounds, janitorial services, and utilities systems. Facilities reacted quickly to install safety glass in the lobby entrance and reception areas in all field offices, provide personal protective equipment, increase our cleaning services, and has worked on site continuously through the COVID-19 closures to keep members and PSERS employees safe.

Administrative Services provides mail, printing, and copying services to the agency. This area is also responsible for equipment management and field office leases. Throughout the COVID-19 pandemic (March 1 – November 30), a total of 410,441 pieces of incoming and outgoing mail have been processed to support member communication with PSERS.

- **Imaging Operations**

Imaging staff ensure that incoming and outgoing documents are saved electronically so the account information sent and received by PSERS is stored safely. Often considered the engine that initiates most business processes; it is here that the incoming mail is reviewed, prepped, scanned, and quality-checked before reaching the business areas for further processing. **From March through November, Imaging staff processed a total of 93,811 documents!**

- **Continuity of Operations (COOP)**

COOP staff develops and implements policies, programs, and procedures necessary to ensure that PSERS' human and capital resources are secure and PSERS is prepared to quickly recover and continue critical operations in the event of a disaster. PSERS was able to continue to serve its stakeholders with minimal interruption of service because of the preparedness of the COOP staff.

The BOA team consists of skilled professionals who take pride in our work, provide exceptional service, and are empowered to drive results that achieve superior value and quality.

PSERS Board of Trustees Meeting Schedule

March 4-5, 2021

June 10-11, 2021

August 5-6, 2021

October 7-8, 2021

December 1-2, 2021

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.

Public School Employees' Retirement System as of June 30, 2020

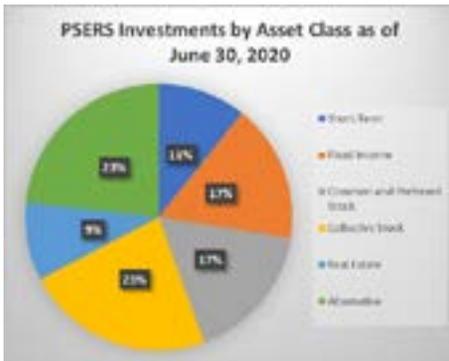
Overcoming the challenges posed by the COVID-19 pandemic, PSERS continued to provide excellent service to our members without any major interruptions due to prior emergency planning and the ability to quickly adapt to rapidly changing conditions. Highlights of PSERS' funding as of June 30, 2020, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2020* (CAFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS' website, psers.pa.gov, under "Financial Publications."

PSERS' Total Net Position
(as of fiscal year ended June 30, 2020)

\$59.0 Billion

Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$59.0 billion as of June 30, 2020.



Investments

- In FY 2020, PSERS earned a positive 1.11% net of fees return and added net investment income of \$1.0 billion to the Fund.
- The past fiscal year will be remembered as a tale of two halves. The first half was highlighted by a strong period for equity returns while the second half was dominated by a global pandemic and recession. However, pension plans like PSERS are built to generate long term returns, so one good (or bad) year is not going to make (or break) the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 7.70% for the 10-year and 7.48% for the 25-year period ended June 30, 2020.



Pension Benefit Payments

- PSERS paid \$6.9 billion in total benefit payments for the fiscal year ended June 30, 2020.
- Of this amount nearly 94%, or \$6.5 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, 2020, PSERS had approximately 256,000 active members and 770 school employers with an employer payroll of \$13.8 billion. In FY 2020, members contributed more than \$1 billion in contributions to the Fund. PSERS also had approximately 240,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,753.

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 \$6.4 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.
- For FY 2020, by managing 39% of assets internally, PSERS was able to save approximately \$46 million in investment manager fees.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Year 2020 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2020	\$ 108.0	\$ 63.9	\$ (44.0)	59.2%
2019	\$ 105.3	\$ 61.2	\$ (44.1)	58.1%

* 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, 2020 (\$ Amounts in Millions)

Assets:

Receivables:

Contributions due from members and employers	\$ 1,743
Investment receivables and other miscellaneous	851
Total Receivables	<u>2,594</u>
Investments (at fair value)	57,774
Securities lending collateral pool	4,491
Capital assets	19
Miscellaneous	23

Total Assets

64,901

Liabilities:

Benefits and other accounts payable	784
Investment purchases and other liabilities	441
Obligations under securities lending	4,491
Other Liabilities	155

Total Liabilities

5,871

Net Position - restricted for pension, DC, and postemployment healthcare benefits

59,030

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2020 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment

healthcare benefits at beginning of year, July 1, 2019	\$ 59,135	A
Additions during the year:		
Contributions, DC Participant premiums, and Centers for Medicare & Medicaid Services	6,349	
Net investment income	1,007	
Total Additions	<u>7,356</u>	B
Deductions during year:		
Benefits and refunds paid to members	7,365	
Administrative expenses	96	
Total Deductions	<u>7,461</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)	(105)	D
Net Position - restricted for pension, DC, and postemployment healthcare benefits at end of year, June 30, 2020 (A + D)	<u>\$ 59,030</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.

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