



PSERS Active Member Newsletter

Volume I - 2023

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

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Publication #9293

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 on the Member Self-Service (MSS) Portal, or by calling PSERS at 1.888.773.7748.
- ☑ If you have not already done so, attend a Foundations for Your Future (FFYF) educational program. FFYF programs are conducted in person and via webinar. The recorded presentation is also available on our website under *Nearing Retirement>Foundations for Your Future*.
- ☑ Schedule and attend a small group Retirement Exit Counseling session. Be sure to bring your staff-prepared estimate to your counseling session. Retirement Exit Counseling sessions are available in person and online. **Attending a Retirement Exit Counseling session is proven to eliminate errors in your *Application for Retirement* (PSRS-8) that will delay the processing of your retirement. Our dedicated and specialized retirement representatives can help guide you and your financial planner in ensuring your *Application for Retirement* is completed and timely filed.**
- ☑ Review helpful resources on the PSERS website such as the online estimate calculator, pamphlets and handbooks, and the Countdown to Retirement checklist.
- ☑ Research your employer's guidelines for terminating and resigning.
- ☑ Contact your employer to discuss employer-provided benefits, such as payment for unused vacation and sick leave, severance payments, and health insurance. PSERS also sponsors a health insurance plan and a Premium Assistance Program for PSERS retirees. For more information, contact the Health Options Program (HOP) at 1.800.773.7725 or visit the HOP website at hopbenefits.com.
- ☑ Consult with a financial planner or tax consultant, if needed.
- ☑ Contact the Social Security Administration regarding your benefits, if applicable.
- ☑ Make sure to submit a completed purchase of service request to PSERS while you are an actively working member of PSERS. Once you terminate PA public school employment, it will be too late to purchase service credit.
- ☑ Timely submit your completed *Application for Retirement*. To preserve a date of retirement following your last paid day of employment, you MUST file a completed *Application for Retirement* within 90 days of your termination date. You can confirm receipt and track the status of your *Application for Retirement* through the Status Tracker function available in your MSS account.

Visit the *Leaving Employment>Nearing Retirement* on the PSERS website for more information. Contact PSERS with any questions as you prepare for retirement.



@PA_PSERS



@PennPSERS

Message from PSERS' Executive Director

On behalf of the Public School Employees' Retirement System (PSERS) and PSERS Board of Trustees, I wish you a very happy and healthy New Year! As you know, this is the time of year when many look forward and plan the year ahead. This year, for me and for PSERS, the first step in looking forward is to look back. As you know, PSERS Board and staff have been through some very difficult times. But I imagine they were difficult times for you, our members, as well. But let me assure you, the future is bright. Your benefit remains secure, and your retirement system is on its way to becoming the best it has ever been.

This past year has presented many opportunities for us. We are about to have our top-level executive team at full complement again. We also have the results of several governance and operational reviews which have resulted in some very valuable tools and resources we can use to move the agency forward.

An internal investigation was conducted by an independent law firm that found no evidence of criminal conduct. More specifically, they found:

- No evidence of any kickbacks or any illegal payments.
- No evidence of theft.
- No evidence of self-dealing.
- No evidence of false statements or misleading statements in financial transactions.

This is incredibly good news!! And something we should not lose sight of or take lightly.

Also, in 2019, in response to growing concerns about its system of direction and control, the PSERS Board of Trustees identified the need for a governance review. Beginning in December 2020, Funston Advisory Services performed a governance review working to identify ways to improve PSERS' governance to enable the Board to better fulfill its fiduciary duties and improve the overall organizational performance. In their governance report, Funston recommended six fundamental reforms with 31 major recommendations supported by detailed implementation guidance that should help to transform PSERS' governance.

Then the Board engaged an independent investment consultant firm to work with our Internal Audit Office to assess the operational policies, processes, and procedures of the PSERS Investment Office. In March of this year, the report was presented, finding that the PSERS Investment Office had generally implemented solid processes and controls that aligned with industry best practices. The report did note areas for improvement that could further strengthen those operational policies, processes, and procedures.


Finally, we have an outside pension consultant working with staff to review our systems of internal controls and provide recommendations to improve those controls, increase efficiencies, and reduce risk throughout the agency. This review will set us up well for the upcoming rigorous audit of operations and controls requested by our Board, commonly referred to as a SOC 1/Type 2 audit– yet another proactive opportunity to review controls and understand where we can improve.

My staff and I are committed to supporting this Board in the careful review and deliberation of these reports and implementing the recommendations the Board may adopt, and we are so excited about starting our new Strategic Planning process together!

PSERS Board and staff have taken the recent turn of events very seriously, and they have, in my opinion, taken all of the right steps to make us a better organization. In fact, they have taken steps to enable us to be one of the best organizations.

So, as I hope you can see, there are plenty of opportunities for PSERS to not only be better at what we do, but to be the best at what we do. We've got the tools and the resources, and we are ready for the future. A future we are preparing for you!

Sincerely,



Terrill (Terri) J. Sanchez
PSERS Executive Director

Available Now: Online Educational Webinars

PSERS is pleased to announce that Foundations for Your Future (FFYF) education programs are now offered online!

Open to any school employee at any time in their career, these programs 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, you should attend this free program at least once prior to retirement. FFYF programs are also held across the Commonwealth 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 and prepare for your retirement by answering questions such as:

- What are my benefits through PSERS?
- When can I retire?
- How is my pension calculated?
- What do all the numbers on my retirement estimate mean?
- What are the retirement milestones?
- What are purchases of service?

The schedule for virtual and in-person FFYF programs and a copy of the presentation can be found on the PSERS website by selecting *Leaving Employment>Foundations for Your Future*. A recorded version of the FFYF presentation is also available on the same webpage.

Updated Application for Retirement

PSERS recently updated our *Application for Retirement (PSRS-8)* to comply with the new Internal Revenue service (IRS) tax withholding rules. If you have a printed version of the *Application for Retirement* dated before November 2022, please discard and use the updated version. You may experience delays in processing your retirement if you use an outdated form.

Commonwealth of Pennsylvania - Public School Employees' Retirement System		0008
5 N 5th Street Harrisburg PA 17101-1905 Toll-free: 1.888.773.7748 www.psers.pa.gov Fax: 717.772.3860	Application for Retirement	
PSRS-8 (01/2023)		Mail Center

Follow PSERS on Social Media

Follow PSERS on social media for retirement information, educational videos and fact sheets, PSERS investment highlights, and more! PSERS is on Twitter, Facebook, and YouTube (PA Public School Employees' Retirement System)!

 @PA_PSERS

 @PennPSERS

PSERS

5 N 5th Street
Harrisburg PA 17101-1905

Toll-Free: 1.888.773.7748

Local Calls: 717.787.8540

FAX: 717.772.3860

Website Address:
psers.pa.gov

Email Address:
ContactPSERS@pa.gov

PSERS Behind the Scenes: Introducing Bureau of Information Technology

PSERS' Bureau of Information Technology supports our dedication to serve our members through planning, supporting, and implementing IT solutions. Two divisions make up this bureau.

The Business Application Division is comprised of three sections that each provide essential services to improve member experience.

- **Maintaining Security Access & Bulk Data Processing:** The Application Access and Operations Section (AAOS) manages the security and application access of PSERS' pension administration system to make sure that your information is secure. It also runs processes to ensure that members and employers are getting their correspondence from PSERS.
- **Developing Custom Member Applications:** The Application Development & Maintenance Section (ADMS) creates custom member applications that you may be familiar with, including:
 - The *PSERS Online Retirement Estimate Calculator* which allows you to generate personalized estimates.
 - The *PSERS Membership Class Election Calculator* which helps new members determine which membership class is right for them.

ADMS also developed significant integrations with the State Treasury Department to exchange payroll information for member benefit payments.

- **Managing PSERS' Incoming & Outgoing Documents:** The Electronic Document Management Section (EDMS) supports all electronic processing and storage of member and employer documents received and generated by PSERS. This section also manages the processes that generate important documents sent to our membership, like *Statements of Account* and *Form 1099-R's*.

The Infrastructure & Technical Services Division is comprised of two sections, providing crucial support to PSERS staff so that we can assist you.

- **Maintaining IT Infrastructure for Systems & Applications:** The Network and Server Section provides core IT infrastructure to support systems and applications for PSERS members, employers, and staff.
- **Supplying Equipment & Troubleshooting for Staff:** The Technical Services Section supplies software and hardware support to all PSERS staff, and serves as the agency's IT Help Desk.

PSERS Active Certified Board Member Election Results

Two teachers have been elected to serve as Trustees of the Pennsylvania Public School Employees' Retirement Board beginning January 1, 2023. Both candidates ran unopposed for their respective seats and were elected by acclamation at the October 21, 2022, Board meeting.

Incumbent Trustee Jason Davis was re-elected to his third, 3-year term representing active certified members. Brian Reiser was elected to his first term representing active certified members. His term will run for two years, covering the remaining term of active certified Trustee Susan C. Lemmo, who recently retired from her teaching position.

Mr. Davis teaches economics, AP microeconomics, and macroeconomics at Penn Trafford High School in the Penn Trafford School District, Westmoreland County. Mr. Davis holds a bachelor's degree in economics and history from Duquesne University, where he also earned a master's degree in Social and Public Policy Analysis. Prior to earning his teaching certificate in 2004, Mr. Davis was employed by Mellon Bank's institutional trust unit.

Mr. Reiser has been a math teacher since 1993 in the Grove City Area School District in Mercer County. He holds a bachelor's degree in mathematics from Grove City College. Mr. Reiser serves on the Board of Directors of the Pennsylvania State Education Association (PSEA) as president of the PSEA Midwestern Region. He previously held other PSEA leadership positions and served as a Stoneboro Borough Councilman.

PSERS Board of Trustees Meeting Schedule

January 20, 2023

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 contact Tivia Danner, PSERS Executive Office at tidanner@pa.gov.

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

Public School Employees' Retirement System as of June 30, 2022

Highlights of PSERS' funding as of June 30, 2022, are provided below. More detailed information is available in the *Annual Comprehensive Financial Report as of June 30, 2022* (ACFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS website, psers.pa.gov, under "Financial Publications."

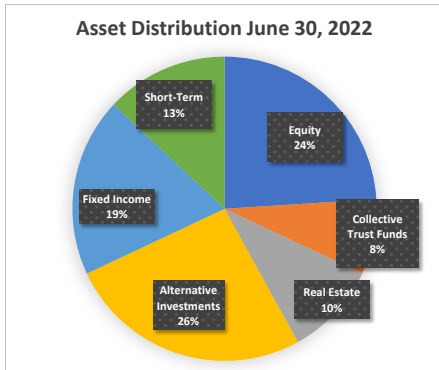
PSERS' Total Net Position
(as of fiscal year ended June 30, 2022)

\$71.2 Billion

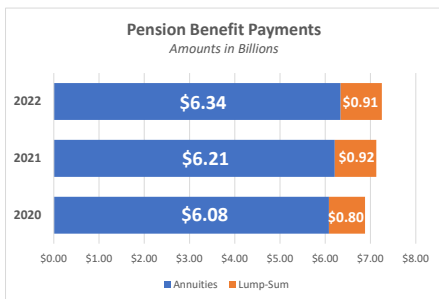
Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$71.2 billion as of June 30, 2022.

Investments



- In FY 2022, PSERS earned a positive 2.23% net of fees return. FY 2022 investment rate of return of 2.23% is in the top percentile of investment performance for PSERS public pension peer group. PSERS investment rate of return is well above PSERS consultant's public pension peer group median investment rate of return: a negative return of (7.21)%.
- PSERS, like other public pension funds, faced a challenging environment for financial markets from growing inflation concerns, tighter monetary policy, the Russian invasion of Ukraine and the associated uncertain economic implications.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 7.91% for the 10-year and 7.05% for the 25-year period ended June 30, 2022.



Pension Benefit Payments

- PSERS paid \$7.25 billion in pension benefit payments for the fiscal year ended June 30, 2022.
- Of this amount nearly 91%, or \$6.6 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, 2022, PSERS had approximately 248,000 active members and 770 school employers with an employer payroll of \$14.7 billion. In FY 2022, members contributed more than \$1 billion in contributions to the Fund. PSERS also had approximately 247,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$26,078.

Reducing Costs

- Based on the most recent international benchmarking survey, PSERS had a 7% 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 \$3.4 million annually in administrative expenses compared to its peers.
- The Investment Office currently manages approximately 54%, or \$42.1 billion of the gross assets (inclusive of leverage), in-house. PSERS Investment Office continued the process of filling vacant positions with very capable investment professionals which will allow PSERS to continue its efforts to bring additional assets in-house, provide additional depth to the investment team, and/or enhance risk management, compliance, and operational practices. The estimated savings from managing those assets in-house is \$50 million per year.

Financial Improvement Continues

- Unfunded Accrued Liability decreased \$1.5 billion in FY 2021-22 - largest decline since FY 2006-07.
- Employer Contribution Rate (ECR) decreased for the first time since FY 2008-09. This is the sixth year in the row the ECR is lower than projected.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Year 2022 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2022	\$ 114.5	\$ 70.6	\$ (44.0)	61.6%
2021	\$ 112.7	\$ 67.2	\$ (45.5)	59.6%

* 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. PSERS' funded ratio increased from 59.6% at June 30, 2021 to 61.6% as of June 30, 2022, the most recent actuarial valuation, due to fully funded employer contributions, favorable demographic experience, and positive long-term investment returns.

Condensed Statement of Fiduciary Net Position as of June 30, 2022 (\$ Amounts in Millions)

Assets:

Receivables:

Member and employer contributions \$ 1,797

Investment receivables and other miscellaneous 675

Total Receivables 2,472

Investments (at fair value) 70,905

Securities lending collateral pool 9,829

Capital assets 15

Miscellaneous 31

Total Assets 83,252

Liabilities:

Benefits and other accounts payable 725

Investment purchases and other liabilities 1,359

Obligations under securities lending 9,829

Other Liabilities 187

Total Liabilities 12,100

Net Position - restricted for pension, DC, and postemployment healthcare benefits \$ 71,152

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2022 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, 7/1/2021 \$ 72,533 A

Additions during the year:

Member Contributions 1,167

Employer Contributions 5,141

Participant Premiums 409

Centers for Medicare & Medicaid Services 71

Net investment income (282)

Total Additions 6,506 B

Deductions during year:

Benefits and refunds paid to members 7,795

Administrative expenses 92

Total Deductions 7,887 C

Change in Net Position restricted for pension and postemployment healthcare benefits (B - C) (1,381) D

**Net Position - restricted for pension, DC, and postemployment healthcare benefits
at end of year, June 30, 2022 (A + D)** \$ 71,152

Detailed information regarding the financial statements is available in the PSERS' ACFR and SAFR. The ACFR 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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**Important Information from the
Commonwealth of Pennsylvania
Public School Employees' Retirement System**



Website
psers.pa.gov

Register for PSERS' Member Self-Service (MSS) Portal to access your retirement account online, anytime!



Call or Fax

Toll-Free: 1.888.773.7748
Local Calls: 717.787.8540
FAX: 717.772.3860



**Send us a Secure Message
through your MSS Account!**

Don't have an MSS Account?
Complete the Contact Form on our
website.