

## *Inside...*

- Deferring Retirement
- Changes to Demographic and Economic Assumptions
- Southwest Regional Office Relocation

*& More...*

## Active Certified Board Elections

There will be no active certified member elections in 2016 because only one candidate for each position (Seat A, 3-year term and Seat B, 4-year term) qualified for the board positions. Mr. Jason Davis from North Huntingdon, PA and Mr. Christopher SantaMaria from Wallingford, PA will be presented to the Board of Trustees at the October Board meeting to be certified. In accordance with Section 46 of Robert's Rules of Order, Mr. Davis and Mr. SantaMaria will then be declared "elected by acclamation" by the Board of Trustees at the October meeting.

Mr. Jason Davis is currently an educator at the Penn-Trafford High School teaching AP Microeconomics, dual-enrollment Macroeconomics and Economics. He is a US Air Force veteran and earned his B.A. in Political Science from Duquesne University and holds a M.A. in Social and Public Policy analysis. Mr. Davis' work experience includes four years at Mellon Bank in Institutional Trust, helping to manage large pensions and trust funds, including PSERS, and working directly with both clients and vendors. He was a building representative for six years for the Penn-Trafford Education Association. Mr. Davis is currently the Westmoreland Educational Council president and will represent the Southwest Region at the NEA-RA. He is married to Missy and has two daughters, Chloe and Abigail.

Mr. Christopher SantaMaria is currently an educator in the Lower Merion School District teaching social studies for the past 23 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 31 years. Mr. SantaMaria was Social Studies Department Chair at Harriton High School from 1999 to 2011 and taught high school economics. He serves as President of the Lower Merion Education Association, 2007 to present. Mr. SantaMaria is chief negotiator for the employment contract of Lower Merion School District employees. He is familiar with investment strategies, portfolio allocations, expense ratios, and annuities. He is married to Cindy and has two daughters. He enjoys reading history and biography, fishing, kayaking, and sailing.

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.

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)

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

## Important Note about Deferring Retirement

The Internal Revenue Service (IRS) mandates that distribution of retirement benefits **to members who are no longer working** must begin by April 1 of the calendar year following the year in which they reach age 70 1/2. As a result, if you vested and left school service, have not retired, and are age 70 1/2 or older, you are required to begin receipt of your retirement benefits from PSERS.

**If you do not begin receiving your retirement benefits as required by the IRS, the IRS may impose a 50% penalty tax on the amount not distributed.** If you have questions regarding the IRS' rules regarding required minimum distributions, we encourage you to seek advice from your tax consultant or the IRS.

## Your PSERS Account after Divorce

PSERS is bound by law to pay benefits based on a court-signed agreement between a divorced member and his or her former spouse. If a portion of your retirement is payable to your ex-spouse through a court order due to a divorce and you haven't yet notified PSERS, please do so. PSERS will not provide details regarding your individual retirement benefit or provide estimates to your spouse or your spouse's representative without your authorization.

You should also take time to review your beneficiary information and update it as necessary. To update your beneficiary(ies) information with PSERS, complete and submit a *Nomination of Beneficiaries* (PSRS-187) form. The new form will supersede all previous forms.

For more information regarding divorce and your PSERS retirement benefit, refer to the *PSERS Divorce Guidelines* (Publication #9681) located on the PSERS website.

## Board-Adopts Changes to Demographic and Economic Assumptions

The PSERS Board of Trustees recently adopted revised demographic and economic assumptions based on the results of PSERS' recently completed five-year experience study. The Retirement Code requires PSERS' actuary to conduct an experience study every five years to assess and compare demographic and economic assumptions with PSERS' actual experience. Reviewing assumptions is an important task for PSERS' Board. An assumption that is significantly wrong in either direction could have an unfair cost distribution on generations of taxpayers and school employers.

The revised demographic assumptions include new mortality, retirement, and withdrawal assumptions and updated option factors to match new mortality tables. The revised economic assumptions include:

- Reducing salary growth from 5.50% to 5.00%.
- Reducing inflation from 3.00% to 2.75%.
- Reducing the investment rate of return from 7.50% to 7.25%.

PSERS Executive Director Glen Grell commented on the Board's action to reduce the investment rate of return assumption. "While PSERS has earned a positive 9.15 percent since the Great Recession in 2009, capital market assumptions project a lower-return environment going forward. The decision to reduce the investment return assumption was made after much discussion of the fiduciary responsibilities of the Trustees and was based on a thorough review provided by PSERS staff, investment consultant, and actuary. PSERS' Board and investment staff will continue to closely monitor economic conditions and revisit the return assumption again in the next experience study or sooner if warranted."

Since 2008, PSERS has reduced its investment return assumption four times from 8.50 percent in 2007 to the current assumption of 7.25 percent.

With this reduction, PSERS now has one of the more conservative return assumptions among public pension funds nationwide according to a recent National Association of State Retirement Administrators (NASRA) brief published in February 2016. According to the brief, out of the 127 public pension funds surveyed, only 24 funds have a return assumption of 7.25 percent or less.

The newly approved assumptions will be reflected in the June 30, 2016, valuation that PSERS' actuary will complete and present to PSERS Board in December 2016. The final impact of the assumption changes will be determined at that time. Estimates show a small increase in projected employer contributions of less than two tenths of one percent over the next six years due to this change in assumption.

## Shared Risk

Act 120 of 2010 included an innovative risk-sharing program for all members that are new to 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 within the specified range allotted for Class T-E or Class T-F members and is subject to an increase or decrease by 0.5 percent every three years depending on the investment performance of PSERS. The member contribution rate, however, will never go below the base rate of 7.5 percent for Class T-E and 10.3 percent for Class T-F members, nor above 9.5 percent for Class T-E and 12.3 percent for Class T-F members.

The shared risk benchmark was met for the first three-year evaluation period which ended June 30, 2014. The next evaluation period will be based on PSERS' previous six years of investment experience, ending June 30, 2017. 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, 2017, evaluation period, PSERS investment performance will be finalized. The PSERS Board will certify the member rate at their December Board meeting. If the shared risk benchmark is not met for the next evaluation period, member contribution rates will increase to 8.0 percent for Class T-E members and 10.8 percent for class T-F members. Any changes in the Class T-E and Class T-F member contribution rate will be announced in the January 2018 newsletter and will go into effect July 1, 2018. 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

**December 7, 2016**

PSERS Board meetings are held in Harrisburg at PSERS, located at 5 N 5th Street. In addition to these 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.

## Coming Soon: Your Statement of Account

In the next few months, you will receive your 2016 *Statement of Account* in the mail. Please review it and verify that the information is accurate.

Your statement provides information that assists you in planning for your retirement, such as:

- Nominated beneficiaries.
- Credits earned during the school year.
- Total credits earned.
- Estimated Retirement Date based on superannuation (retirement without penalties).
- Final Average Salary based on the data reported.
- Estimates for various options if you are eligible and were to retire at the end of the school year for which the statement was generated.

Last year, PSERS processed and mailed 306,034 *Statements of Account*. You may not receive your statement at the same time as a coworker or friend because:

- Not all of your employers have reported your salary, contributions, and days and/or hours worked for the July 1 to June 30 school year.
- You have an incorrect address on file with PSERS.

The *Statement of Account* presentation offers a walkthrough of your statement. It is available on the PSERS website under "Presentations."

The *Statement of Account FAQ* answers questions like "How do I obtain additional copies of my statement" and "Why am I not receiving my statement?" It is available on the PSERS website under "Active Members."

### PSERS School Year 2015-16 Staff Accomplishments



Answered  
**185,184**

Member Calls



Processed  
**11,750**

Retirement  
Applications



Mailed  
**306,034**

*Statements of  
Account*

### Percentage of PSERS Retirees under each Retirement Option (2015)

Retirement Option	Percent
Maximum Single Life Annuity (MSLA)	54.1%
Option 1	19.5%
Option 2	15.8%
Option 3	9.5%
Option 4	1.1%

See the *Active Member Handbook* to learn more about each option.

## 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 until later, 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.**

## Can I Borrow from my PSERS Retirement Account?

**No.** The PSERS Retirement Code (Act 96 of 1975) prohibits members from borrowing money from or against their account to protect your PSERS benefit until retirement. Your funds in PSERS may neither be used for collateral nor attached or assigned. You will only receive funds from your account if you terminate service and apply for one of the following:

- Retirement
- Refund your contributions and interest

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

## Southwest Regional Office Relocation

The Southwest Regional Office serving Allegheny, Fayette, Green, and Washington counties has moved! The new address and contact information are as follows:

**300 Cedar Ridge Drive, Suite 301  
Pittsburgh, PA 15205-1159**

Phone: 412.920.2014  
Fax: 412.920.2015

Hours of operation are Monday through Friday, 8:30 a.m. - 5:00 p.m. (except holidays).



## Learning about Your Retirement Account

Planning your retirement is a sizable task that requires a thorough understanding of your retirement account and your options throughout your career. Even if you are early in your career, PSERS strongly encourages you to pay attention to your account. We provide our members with a number of resources to assist you in understanding how your retirement system works and the state of your account with PSERS.

### **PSERS Member Service Center (Call Center):**

If you would like to speak to a PSERS representative regarding your retirement account, the Member Service Center is available each business day from 8:00 a.m. to 5:00 p.m.

Our representatives cannot provide you with financial advice, but they will explain your PSERS benefits and options.



### **Group Presentations**

We encourage you to attend Foundations For Your Future (FFYF) seminars throughout your public school career, but especially early on to familiarize yourself with your benefits and actions you should be taking and again, when you are within several years of retiring. You will receive general information regarding your retirement system during this free 90 minute seminar. FFYF schedules and copies of the presentation are available on the PSERS website.

If you are planning on retiring in the next 12 months, we encourage you to complete *Request for Retirement Estimate* (PSRS-51) form and attend a Retirement Exit Counseling session. This small group session informs you of your options when you retire and guides you in completing your *Application for Retirement* (PSRS-8).

(continued on page 7)

### **PSERS Website**

Our website provides information and resources related to your PSERS retirement benefit that is useful regardless of which stage you are in your career. You will find anything from presentations containing information regarding your *Statement of Account* to various retirement-related forms. Current publications and newsletters are also available online.

Interaction is PSERS' secure online application where you may view and print copies of your *Statement of Account* and use the Retirement Estimate Calculator pre-filled with your information.

## **New for Spring 2017: Member Self Service Application**

PSERS will be launching a new Member Self Service (MSS) application in 2017. MSS is a browser-based application that will provide you with 24-hour access to your retirement account from the convenience of your computer at home or work. With an account, you will be able to:

- Receive correspondence electronically.
- View your correspondence from PSERS securely.
- Manage 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.

Keep your eye out for more information in the next newsletter!

**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