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PSERS Retired Member Newsletter

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

Different Types of Retirement Plans

Lately, there has been a lot of talk about pension reform and the growing debt of public school pensions and the impact on the Commonwealth's budget and local school districts. You may be wondering what does this mean to you as a public school employee or retiree. This article explains the different types of retirement plans that are currently being discussed by the Legislature in Harrisburg.

There are three general types of pension plans currently being discussed — defined benefit plans, defined contribution plans, and hybrid plans. In general, defined benefit plans such as PSERS provide a specific benefit amount at retirement for eligible employees based on a set formula, while defined contribution plans specify the amount of contributions to be made by the employer toward an employee's retirement account. Hybrid plans

combine features of both defined benefit and defined contribution retirement plans.

Defined Benefit (DB Plans)

In a defined benefit plan, both the employer and employee pay into a fund. The employer/employee payments are pooled together to be invested. When employees meet certain qualifications, the employees are eligible to receive a retirement payment (a “defined benefit”) every month for the rest of their life. PSERS is an example of a defined benefit plan. A PSERS member benefit is determined by a set formula that takes into account retirement age, a pension multiplier, years of service, and final average salary. The payment is not influenced by how much the employer contributes, the performance of the fund's investments, or any other factor. Defined benefit

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Weekdays
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www.psers.state.pa.us
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ContactPSERS@pa.gov

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

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plans are designed so that employers and the employees fully fund the employees' retirement benefit during their working lifetime so when employees eventually retire, the total amount to fund their retirement for the rest of their lives is already saved. The employer bears the risk in a defined benefit retirement plan.

Defined Contribution (DC Plans, 401(k)-style Plans)

In a defined contribution plan, each employee has his or her own individual retirement account into which they make contributions. The employer usually puts a pre-determined amount (a "defined contribution") into the employee's account, usually a percentage of the employee's salary or a match of the employee's own contributions up to a certain limit. The employee individually chooses how to invest his or her monies, usually from a menu of employer-provided options. Upon retirement, the employee gains access to whatever sums are in the account, plus or minus any investment gains or losses. The most common type of defined contribution plan

is a 401(k). Under 401(k) plans, employees ultimately bear the risks and rewards of their investment choices. In addition, the amount an employer contributes to the individual employee's account varies greatly among employers.

Hybrid (DB+DC Plans, Stacked Hybrid, Cash Balance Plans)

"Hybrid" is a generic term and there could be significant variations among these plans. As a general rule, these plans provide both a defined contribution plan and a reduced defined benefit plan to the employee. Most hybrid plans strive to retain some level of mandatory participation by employees; employer/employee shared financing, pooled assets that are managed and invested by professionals, and a lifetime retirement benefit. Hybrid plans provide a combination of market experience (such as DC plans) and a guaranteed minimum on participants' cash balances (such as DB plans). A cash balance plan, while technically a defined benefit plan, has features like a defined contribution plan. A

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cash balance plan typically provides a guaranteed rate of return on the participant's account balance and offers an annuity as an option from that balance. A participant's account is credited each year with a "pay credit" (such as one percent of compensation from his or her employer and the participant's own mandatory contribution) and an "interest credit" of say two percent (which is guaranteed by the employer). Increases and decreases in the value of the plan's investments do not directly affect the benefit amounts promised to participants. The investment risks are borne solely by the employer and the benefits provided to a participant are based on the account balance at retirement. For example, assume that a participant has an account balance of \$100,000 when he retires at age 65. He has the right to an annuity based on that balance, which based on his life expectancy may be approximately \$8500 per year for life.

The DB, DC, and Hybrid Plans are general types of retirement plans that are currently offered or are being discussed by policy makers in Harrisburg. That said, there are many variations of each of these types of plans. As pension reform discussions continue, we expect more variations of these plans to be developed.

Sign Up For Interaction!

Interaction is PSERS' on-line web application. With an Interaction account you can view and print your 1099-Rs. Now you can also view and print Income Verifications. Persons receiving a benefit from PSERS can print out a statement of their income received from PSERS. This valuable information is useful for verifying income for a variety of purposes, such as public housing, loan applications, or simply for your own records.

Take advantage of having your information available on demand. You can sign up to use Interaction at any time. Go to the PSERS website and click on the Online Applications button. Once you establish your online account, the user name and password information is separately mailed to your home address.

PSERS Board of Trustees Meeting Schedule

August 7, 2014
October 3, 2014
December 9, 2014

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 and committee 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 P.O. Box Address No Longer Valid

PSERS mailing address is 5 N 5th Street, Harrisburg PA 17101-1905. The former P.O. Box address is no longer valid. The post office has been temporarily forwarding any mail sent to the P.O. Box address to PSERS; however, they will soon stop.

You may also submit documents to PSERS, whether it is an application, a form, or supporting documents, by fax, or hand delivery. Our fax numbers are 717.772.3860 and 717.783.7275. PSERS headquarters is located at 5 N 5th Street. PSERS Regional Offices are conveniently located throughout the state. Addresses and contact information for our regional offices are found on the PSERS website. **Emailing your documents as attachments is not permissible at this time.**

Return to Service

As a PSERS retiree, you are not permitted to work for a Pennsylvania public school employer without risking the loss of your monthly retirement pension unless you qualify for specific exceptions. For more information about these exceptions, please refer to the PSERS publication, *PSERS Return to Service Guidelines* (PSRS-9682) found on the PSERS website or by calling PSERS.

It is very important that you familiarize yourself with this publication if you plan to work after retirement with a Pennsylvania public school employer. If PSERS finds that you do not qualify for any of the return to service exceptions, ***your monthly payment will be suspended*** and you will again become an active contributing member of PSERS. You will also be required to pay back the benefit you received while you were a PSERS retiree and working for a Pennsylvania public school employer. This result may not be beneficial to you because your future pension payments may likely be reduced.



If you return to Pennsylvania public school employment without qualifying for the return to service exceptions, send a letter to PSERS informing of the new PA public school employment before beginning the employment. Include in the letter your name, the last four digits of your social security number, the PA public school employer to which you are returning, and the date of your return to service. Make sure to also inform your new employer that you are currently receiving a PSERS pension. Your new employer must complete and submit to PSERS the *PSERS Retirees Returning to Service* (PSRS-1299) form as soon as possible. As stated above, your monthly payment will be suspended, you will again become an active contributing member of PSERS, and you will be required to pay back the benefit you received while you were a PSERS retiree.

Reporting a Death to PSERS

To report the death of a PSERS retiree, alternate payee, survivor annuitant, or beneficiary receiving a monthly payment from PSERS, a family member or person responsible for handling your affairs should contact PSERS by calling us toll-free at 1.888.773.7748. The caller should have available the deceased's name, social security number, and date of death, as well as the name, address, and telephone number of the person PSERS should contact.

PSERS must receive a death certificate and any payments received after the date of death in order to begin the review process for the deceased member's account. Both the death certificate and any payments received should be sent to:

Public School Employees' Retirement System
5 N 5th Street
Harrisburg PA 17101-1905

Payments sent via wire electronic transfer and received after the date of death must also be returned to PSERS. Monthly annuity payments are made on the last business day of the month. By contacting the bank and providing notification of death prior to the last business day of the month, the bank has the opportunity to reject the payment, which will be returned to PSERS. If the payment is not rejected and returned by the bank, the estate must return the payment to PSERS.

After PSERS has received the death certificate, we will review the decedent's account and contact the beneficiary(ies) or estate and provide the necessary forms and information to close the account. This information will not be released over the phone or by email.

Address Changes

To make changes to your address, **you must notify PSERS in writing**. Please include your name, the last four digits of your social security number, former address, new address, current telephone number, the effective date of the change, and your signature in the letter.

You may also complete a *Change of Address for PSERS Retirees* (PSRS-1301) form to change your address with PSERS. The PSRS-1301 form is located on the PSERS website under Forms.

Address changes should not be submitted any earlier than 90 days prior to the effective date of the change.

Our mailing address is –

PSERS
5 N 5th Street
Harrisburg PA 17101-1905

If you have named a Power-of-Attorney (POA) approved by PSERS, the POA may change your address on your behalf (provided the POA allows for this action).

Pension Forfeiture

A PSERS member, who qualifies to receive retirement benefits, is guaranteed a monthly lifetime annuity. The right of a person to receive such benefits from PSERS, however, is subject to forfeiture as provided by the Public Employee Pension Forfeiture Act (“Pension Forfeiture Act”). Often times, the monetary value of the crime committed is far less than what the member would have earned in a lifetime annuity from PSERS. For example, Tom is a member of PSERS with 25 years of service who was planning on retiring in 5 years with a \$75,000 final average salary. Unfortunately, Tom is involved in a highly publicized scandal and is convicted of receiving a one-time \$5,000 bribe. Not only has Tom been fired from his position, he has now also forfeited a potential death benefit of approximately \$877,000, a lifetime monthly annuity of \$4,600, and the interest on his contributions of \$45,500.

The Pension Forfeiture Act states that all service and benefits payable to a PSERS member must be forfeited if the member is convicted of, or pleads guilty or no contest to any of the crimes listed under the Pension Forfeiture Act when the crime is committed through the member’s position as a public employee or when the member’s public employment places the member in a position to commit the crime(s).

If a member is already receiving a monthly annuity when convicted of, or pleads guilty or no contest to any of the crimes listed under the Pension Forfeiture Act, the annuity will stop. The member is entitled to his or her contributions; however, a member’s contributions and interest may be used to pay any court ordered restitution, provided the monies have not been withdrawn by the member.

The following are the Pennsylvania crimes listed under the Pension Forfeiture Act:

- Theft by deception
- Theft by extortion
- Theft of services
- Theft by failure to make required disposition of funds received
- Forgery
- Tampering with records or identification
- Misapplication of entrusted property and property of government or financial institutions

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- Bribery in official and political matters
- Threats and other improper influence in official and political matters
- Perjury
- False swearing
- Unsworn falsification to authorities
- False reports to law enforcement authorities
- Witness or informant taking a bribe
- Tampering with or fabricating physical evidence
- Tampering with public records or information
- Intimidation of witnesses or victims
- Retaliation against witness, victim, or party
- Obstructing administration of law or other governmental function
- Official oppression, speculating or wagering on official action or information
- The following crimes when committed by a school employee against a student: rape, statutory sexual assault, involuntary deviate sexual intercourse, sexual assault, aggravated indecent assault, indecent assault, and indecent exposure



Pennsylvania's Same-Sex Marriage Court Ruling

On May 20, 2014, a federal court decision legalized same-sex marriages in Pennsylvania. From and after that date, PSERS will recognize licensed marriages between same sex couples as valid. PSERS will not, however, recognize civil unions. Same-sex marriages are now eligible for the same PSERS benefits as heterosexual marriages.

This decision should also serve as a reminder to all members to periodically review and update their beneficiary information on file with PSERS.

The Pension Forfeiture Act also includes all Federal criminal offenses that are substantially the same as the above listed crimes.

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Important Information from the
Commonwealth of Pennsylvania