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IMPORTANT: Interaction accounts will no longer be active when Member Self Service (MSS) launches in Spring 2018. If you currently have an Interaction account and a valid email address on file with PSERS, we will send you an invitation to register for your MSS account.

New PSERS Member Self-Service Portal: Your Pension Account—Online, Anytime

As you may have read in previous editions of our newsletter, PSERS is launching a new Member Self-Service (MSS) portal this Spring. MSS will allow members to access and manage their pension plan account information securely online anytime, anywhere.

MSS will offer new and improved features, allowing members to:

- Manage and update their personal information—phone numbers, email address and mailing address. If you will be moving or will be living elsewhere for an extended period of time, you can set your address change to take effect on a future date.
- Nominate or update beneficiary(ies), if eligible .
- Change the amount of tax withholding on your monthly pension benefit.
- Receive email notification when your documents are available on the MSS Portal (e.g., Statement of Account, newsletters, purchase of service, statements of amount due and other PSERS-specific correspondence).
- Receive personalized alerts about your account, including an alert when you have changed your address, elected Multiple Service, and more.

(continued on page 2)

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.

Direct Deposit

Direct deposit is a safe, reliable way to receive your PSERS monthly payments. To sign up, please complete and mail the *Authorization for Direct Deposit – Electronic Transfer of Monthly Benefit* (PSRS-116) located on the PSERS website. You may also call PSERS at 1.888.773.7748 to request a copy of the form.

Upon receipt of your properly completed form, we will update your account to stop the mailing of a paper check and authorize the electronic transmission of your retirement benefit to your bank account. ***Please note, it may take up to 60 days for direct deposit to become effective. You will continue to receive your paper check until direct deposit takes effect.***

A confirmation letter is sent when your direct deposit request is processed. If you are changing the bank account where you would like to receive your benefit, please be aware that direct deposits will still be sent to the old account until PSERS processes your request.

(Member Self-Service Portal....continued from page 1)

- View a summary of your account
- Print important documents (e.g., 1099R, income verification).
- Stay current with PSERS-related news.

In the coming months, you will receive more information about MSS, and instructions for registering on the site.

Volume 2 2018 Newsletter Notice

Following the launch of MSS, you will receive a MSS Member Quick Start Guide instead of the newsletter that is normally mailed in April. PSERS will mail the Volume 2 2018 newsletters in October.

Thank you for your understanding! If you have any questions or concerns, please contact the PSERS Member Service Center by emailing ContactPSERS@pa.gov.

Federal Tax Withholding Notice

In previous years, your federal withholding tax has been rounded to the nearest dollar (e.g., if your federal withholding tax is \$10.49, PSERS has withheld \$10.00). **Effective January 1, 2018, your federal withholding tax will be withheld from your PSERS benefit in exact dollars and cents.** This means that if your federal withholding tax is \$10.49, PSERS will withhold \$10.49.

Tips to Avoid Pension Advance Scams



Article courtesy of the Pennsylvania Department of Banking and Securities.

Any questions regarding the information in this article should be directed to the Pennsylvania Department of Banking and Securities. You may visit their website at www.dobs.pa.gov or call them at 1.800.PABANKS.

The Pennsylvania Department of Banking and Securities is warning retirees about doing business with companies offering an advance on a retirement pension. These lump-sum “pension advances” are loans with no contractual or financial relationship with PSERS. The total payments made on the “advance” often far exceed the initial loan amount. In almost all cases, the payments made by the consumer are more than a lender can legally charge on a loan to a Pennsylvania resident.

Here are five questions retirees should consider asking when presented with any business proposal involving their pensions:

- 1. Is this company licensed to do business in Pennsylvania?** In most cases, any company offering to advance money that must be repaid in Pennsylvania needs a license from the Department of Banking and Securities, making it subject to examination and offering protections to consumers.
- 2. What does the repayment amount equal in terms of an interest rate on the amount advanced?** The repayment amount on these “advances” is mostly interest on a loan. In Pennsylvania, there are legal maximum interest rates established by the Consumer Discount Company Act and Loan Interest Protection Law.
- 3. Are fees and commissions being charged?** The cap on interest rates in Pennsylvania is inclusive of all fees charged to the consumer.
- 4. Are you allowed to assign your pension benefits to a company?** Check with the administrator of your pension plan to determine what restrictions might apply. *[Note: By law, a PSERS benefit may not be assigned.]*
- 5. Does the company require the purchase of a life insurance policy naming it beneficiary?** Some companies might have this requirement to ensure their future payments – because this transaction has nothing to do with your pension.

If you have questions regarding a company that offers pension advances or believe you may have been unlawfully charged interest or fees, please contact the Pennsylvania Department of Banking and Securities’ Consumer Services Office at 1.800.PABANKS. You may also file a complaint online at www.dobs.pa.gov/consumers/pages/file-a-complaint.aspx.

Form 1099-R Mailings

Form 1099-R reflects the total payments you received from PSERS during the calendar year indicated on the form and is used when preparing your annual federal income tax return. PSERS mails 1099-R forms throughout the month of January. All forms will be mailed by January 31. If you do not receive your Form 1099-R by February 10, 2018, contact PSERS to request a duplicate copy. Beginning February 3rd, you may access and print a copy of your *Form 1099-R* online if you have a PSERS online (Interaction*) account until MSS launches.

Any changes to your monthly check as a result of Federal Withholding Tax table revisions will appear at the top of your *2017 Guide to Your PSERS-Issued Form 1099-R* (PSRS-293) that is included with your 1099-R. The 1099-R insert will provide you with a comparison of your December 2017 and January 2018 net monthly check amounts. All retirement benefit payments from PSERS are exempt from Pennsylvania state and local taxes. If you live in another state, check with your state and local tax authority to see if your Pennsylvania retirement benefit is taxable.

To change your federal withholding amount, submit a *Form W-4P Federal Tax Withholding Certificate for Annuity Payments* (PSRS-996) to PSERS. This form is available on the PSERS website under "Forms" or by contacting PSERS. You may also submit an Internal Revenue Service (IRS) Form W-4P. For your convenience in calculating appropriate deductions, PSERS provides an online Monthly Federal Tax Withholding Calculator on PSERS website under "Tax Calculator."

***Interaction will no longer be active after the launch of PSERS' MSS portal. Through MSS, you will be able to update/manage your personal information, view/print your 1099-Rs, and more! If you currently have an Interaction account and a valid email address with PSERS, you will receive an email with instructions on registering for MSS.**

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.

Web Address:
www.psers.pa.gov

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

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

2018 Payment Calendar

PSERS pays monthly retirement benefits on the last business day of the month for which they are due. Because PSERS group health insurance premiums are payable in advance, your medical deduction is for the following month. For example, PSERS will pay your January benefit on January 31, but the medical deduction is for February.

Benefit for Month of:	In 2018 Paid on:	Medical Deduction for Month of:
January	January 31	February
February	February 28	March
March	March 30	April
April	April 30	May
May	May 31	June
June	June 29	July
July	July 31	August
August	August 31	September
September	September 28	October
October	October 31	November
November	November 30	December
December	December 31	January 2019

Missing Payments

Payments sent via electronic transfer to your financial institution should be in your account by 9:00 a.m. on the last business day of the month. If your electronic deposit is not in your account by that time, ***you should contact your financial institution to make sure the delay was not within their system.*** If no record of the transfer is found, ask them to verify your account number and the institution's routing number; you should then verify this information against the form(s) you submitted to PSERS.

Payments mailed to your home address may take additional time to reach you. ***Contact PSERS if your check does not arrive by the 10th of the following month*** (e.g., your January check has not arrived by February 10). Waiting until the 10th of the month allows the post office sufficient time to forward your check to you or reroute misdirected mail. You should contact PSERS immediately if you know that your check was stolen or destroyed.

PSERS Board of Trustees Meeting Schedule

January 18, 2018
 March 9, 2018
 May 22, 2018
 August 10, 2018
 October 12, 2018
 December 7, 2018

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 Barbara Book, PSERS Executive Office at 1.888.773.7748, extension 4617.

PSERS provides visually impaired readers with our publications in large print or on a CD. Please contact us to request these free services.

Public School Employees' Retirement System as of June 30, 2016

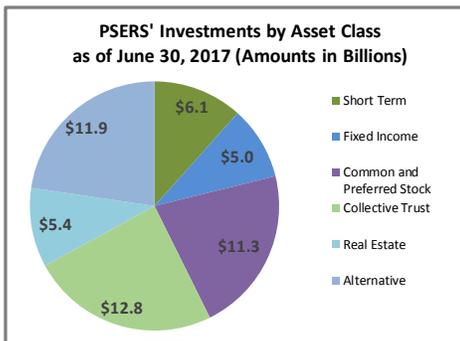
Highlights of PSERS' funding as of June 30, 2017, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2017* (CAFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS' website, www.psers.pa.gov, on the "Publications" page.



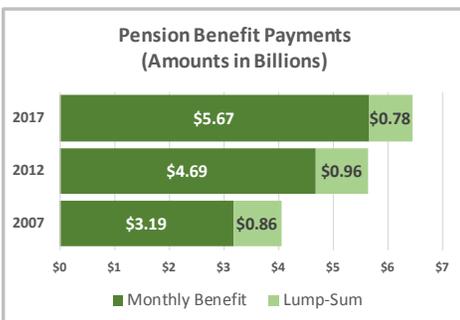
Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$53.5 billion as of June 30, 2017. The System is the 16th largest state-sponsored public defined benefit pension fund in the nation and the 28th largest among public and corporate pension funds in the nation.

Investments



- In FY 2017, PSERS earned a positive 10.14% net of fees return and added net investment income of \$5.0 billion to the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 8.03% for the 25-year and 8.24% for the 30-year period ended June 30, 2017.
- Since the Great Recession ended in FY 2009, PSERS earned an annualized return of 9.28% net of fees.
- As of June 30, 2017, PSERS investment professionals were managing approximately \$22 billion, or 36% of the System's asset exposures in-house. For FY 2017, by managing assets internally, PSERS was able to save approximately \$39 million in manager fees.



Pension Benefit Payments

- PSERS paid \$6.5 billion in total benefit payments for the fiscal year ended June 30, 2017.
- Of this amount nearly 90%, or \$5.8 billion, went directly into state and local economies. These pension disbursements are a significant economic driver that benefit the economy of the Commonwealth.
- PSERS' current monthly payroll includes \$469 million in pension benefits and \$9 million in premium assistance.

Total Membership - Active & Retired

As of June 30, 2017, PSERS had over 255,000 active members and 775 school employers with an employer payroll of \$13.3 billion. In FY 2017, members contributed nearly \$1 billion in contributions to the Fund. PSERS also had over 230,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,287.

Reducing Costs

- Based on the most recent international benchmarking survey, PSERS had a 14% 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 \$6.3 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 2017 (\$ Amounts in Billions)

Reaching a Turning Point - As result of receiving full actuarially required contributions, the Fund is nearing a turning point on an actuarial funding basis in FY 17/18. For FY 18/19 and beyond, the Funded ratio is projected to improve after declining since 2001. Market Value Basis is already improving.

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2017	\$ 102.0	\$ 57.5	\$ (44.5)	56.3%

* 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, 2017 (\$ Amounts in Millions)

Assets:

Receivables:

Contributions due from members and employers	\$ 1,447
Investment receivables and other miscellaneous	1,090
Total Receivables	<u>2,537</u>
Investments (at fair value)	52,486
Securities lending collateral pool	2,016
Capital assets	24
Miscellaneous	17

Total Assets

57,080

Liabilities:

Benefits and other accounts payable	689
Investment purchases and other liabilities	801
Obligations under securities lending	2,016
Other Liabilities	67

Total Liabilities

3,573

Net Position - restricted for pension and postemployment healthcare benefits

53,507

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2017 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment

healthcare benefits at beginning of year, July 1, 2016	\$ 50,151	A
Additions during the year:		
Contributions, Participant premiums, and Centers for Medicare & Medicaid Services	5,368	
Net investment income	4,996	
Total Additions	<u>10,364</u>	B
Deductions during year:		
Benefits and refunds paid to members	6,924	
Administrative expenses	84	
Total Deductions	<u>7,008</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)	3,356	D
Net Position - restricted for pension and postemployment healthcare benefits at end of year, June 30, 2017 (A + D)	<u>\$ 53,507</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