

PSERS Retired Member Newsletter

Volume I - 2020

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

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Retired Member Board Election

Melva S. Vogler won re-election to a new 3-year term as the Retired Member Representative on the Pennsylvania Public School Employees' Retirement System Board of Trustees.

Ms. Vogler received nearly 68% Of the 60,162 ballots cast by annuitants, according to election results the Board Election Committee and Board Secretary certified at a public meeting on Friday. Her challenger, Russell J. Diesinger, received nearly 32% of annuitants' votes during the election, which was held from Oct. 21 to Nov. 22 and was conducted via mail and online ballots.

Ms. Vogler, a 2013 retiree of the Wallenpaupack Area School District, will begin her new term on Jan. 1, 2020 alongside Trustee Jason Davis. Mr. Davis, a teacher in the Penn-Trafford School District, ran unopposed and was re-elected by acclamation for one of three board seats held by active certified PSERS members.

Ms. Vogler was first elected to the PSERS board of Trustees as an active certified member in 1994. Upon her retirement, she won election as the annuitant's representative. Ms. Vogler holds a bachelor's degree from Susquehanna University and a master's degree from Marywood College.

The 15-member Board of Trustees is an independent administrative board of the Commonwealth. The Board stands in a fiduciary relationship to the members of PSERS regarding investment decisions and disbursements of the System's funds. The Board also performs other functions outlined in the Public School Employees' Retirement Code, such as certifying contribution rates, authorizing the actuarial valuation and independent audit of the System, and publishing an annual financial statement of the condition of the Retirement Fund. In addition, the Board oversees the operational activities performed by the System's Executive Director and Chief Investment Officer.

Act 5 Election Results

Act 5 of 2017 offered Class T-C, Class T-D, Class T-E, and Class T-F members a one-time option to elect into a membership class that offered a defined contribution (DC) component: Class T-G, Class T-H, or Class DC. The election window opened on September 1, 2019, and closed on November 30, 2019.

Of approximately 250,000 members who were eligible to elect, a total of 10 members elected a new membership class.

- 8 Elected Class DC
- 2 Elected Class T-G
- 0 Elected Class T-H

The election into the new class took effect January 1, 2020.

Can I Borrow from My Account?

No. To protect your PSERS benefit until retirement, the Public School Employees' Retirement Code prohibits members from borrowing money from or against their account. Funds in your PSERS account cannot be used for collateral and cannot be attached or assigned. You will receive funds from your account only if you terminate service and apply for a retirement or a refund of your contributions and interest.

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

Federal Withholding Tax

Any changes to your monthly benefit payment due to Federal Withholding Tax table revisions will appear at the top of your *2019 Guide to Your PSERS-Issued Form 1099-R* (PSRS-293), which is included with your *Form 1099-R*. The insert will provide you with a comparison of your December 2018 and January 2019 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.

You may change your federal withholding amount through the Member Self-Service (MSS) Portal. Alternatively, you can 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. Alternatively, you may submit an Internal Revenue Service (IRS) Form W-4P to PSERS. For your convenience in calculating appropriate deductions, PSERS provides an online Monthly Federal Tax Withholding Calculator through the MSS Portal and on the PSERS website under "Tax Calculator."

Form 1099-R and Paperless Delivery

Form 1099-R reflects the total payments you received from PSERS during the calendar year. The form should be used to prepare your annual federal income tax return. PSERS mails *Form 1099-Rs* throughout the month of January, usually beginning around the middle of the month. All forms will be mailed by January 31. Members who have paperless delivery via Member Self-Service (MSS) will receive their *Form 1099-R* sooner than those who do not have paperless delivery. If you do not receive your *Form 1099-R* through the mail by February 11, 2020, login to your MSS account or contact PSERS for a duplicate copy. Reminder: If you have paperless delivery, you will not be receiving a paper *Form 1099-R* from PSERS. Your *Form 1099-R* will be available through your MSS account. Members with paperless delivery will receive an email on the day that their *Form 1099-R* is available.

Income Verification/Benefit Summary

In addition to your *Form 1099-R*, PSERS will provide a month-by-month breakdown of the payments you received and any deductions from those payments in 2019.

Retiree Health Coverage Checklist

Most members enroll in retiree health coverage when they turn 65 and become eligible for Medicare. At age 65, unless you're still working, Medicare becomes your primary coverage for hospital and medical expenses. As you consider your options for retiree health coverage, you may want to consider the following:

- ✓ **The type of plan you need.** Original Medicare is provided by the government and offers a basic level of coverage. Some people feel they need more than the basic coverage, so they also enroll in a Medicare Supplement plan. Another choice is to replace Original Medicare with a Medicare Advantage Plan. The Health Options Program offers Medicare Supplement and Medicare Advantage options. And for each, most people have a choice of plans.
- ✓ **Access to coverage through your spouse.** If your spouse is still working, he/she may be able to cover you as a dependent under their plan.
- ✓ **Consider overall costs.** When calculating your overall costs, be sure to include the monthly premium and deductible, as well as what it will cost when you need care (copays and coinsurance).
- ✓ **Review your health care needs.** If you expect to have a change in your health care or prescription drug use next year, make sure the benefits cover applicable services. Check the plan's drug list to see if your current medications are covered.
- ✓ **Other types of coverage.** If you need dental, vision, or hearing benefits, review the plans carefully to make sure the benefits are included. The Health Options Program has plans that include comprehensive medical, prescription drug, and dental coverage at competitive rates. In addition, the Medicare Advantage plans can also include vision and hearing.

Keep in mind, you can only join the Health Options Program or add new dependents if you experience a Qualifying Event (including turning 65). Visit www.HOPbenefits.com or call 1-800-773-7725 for information about Qualifying Events.

Member Self-Service (MSS) Portal Status Update

PSERS launched its Member Self-Service (MSS) Portal in March 2018. Since then, more than 147,000 members have registered. These members completed more than 158,000 transactions, with nearly all of the transactions being "straight-through processes" (processes that are completed immediately).

PSERS' Paperless Delivery has not only ensured faster communication with members than mail but has also saved the System more than \$500,000 in printing and mailing costs!

PSERS Board of Trustees Meeting Schedule

January 16, 2020

March 5, 2020

June 11, 2020

August 6, 2019

October 8, 2019

December 2, 2019

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

Benchmarking Survey: The Results are In!

Using questions developed by a global pension benchmarking organization, PSERS sent an engagement survey to all members with an email address on file in October 2019. This brief survey that provided us with valuable feedback about your opinion of PSERS and your retirement.

Below is a summary of your responses.

- There was a total of 4,369 responses with 54.43% retired members and 45.57% active members.
- More than 80% of respondents ranged from completely to somewhat satisfied with PSERS overall.
- More than 85% of respondents ranged from completely to somewhat agreeing that they feel confident their retirement is secure with PSERS.
- More than 84% of respondents ranged from completely to somewhat agreeing that PSERS operates in their best interest.
- More than 80% of respondents ranged from completely to somewhat agreeing that PSERS acts ethically.

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Local Calls:
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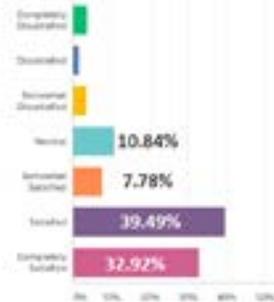
FAX:
717.772.3860

Phone Hours:
Weekdays (except holidays)
8:00 a.m. - 5:00 p.m.

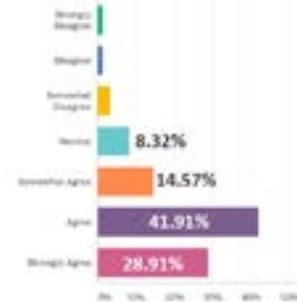
Website Address:
psers.pa.gov

Email Address:
ContactPSERS@pa.gov

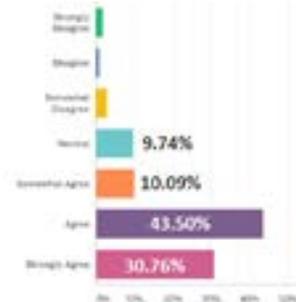
How satisfied are you with PSERS overall?



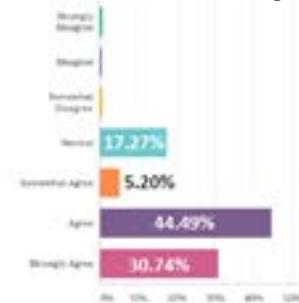
I feel confident my retirement is secure with PSERS.



I know PSERS operates in my best interest



PSERS acts ethically.



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

PSERS is committed to continually evaluating and optimizing the experience of its members and are seeking ways to improve your experience. Thank you to all who responded! We value your feedback.

2020 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 2020 Paid on:	Medical Deduction for Month of:
January	January 31	February
February	February 28	March
March	March 31	April
April	April 30	May
May	May 29	June
June	June 30	July
July	July 31	August
August	August 31	September
September	September 30	October
October	October 30	November
November	November 30	December
December	December 31	January 2021

Missing Payments

Payments sent via electronic transfer (direct deposit) to your financial institution should be in your account on the last business day of the month. If your electronic deposit is not in your account on that date, **you should contact your financial institution to make sure the delay was not within its system.** If you are new to direct deposit or recently submitted a change to where your benefit is being deposited, please verify the account number and routing number with your financial institution.

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 believe that your check was stolen or destroyed.

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Public School Employees' Retirement System as of June 30, 2019

Highlights of PSERS' funding as of June 30, 2019, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2019* (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, 2019)

\$59.1 Billion

Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$59.1 billion as of June 30, 2019.



Investments

- In FY 2019, PSERS earned a positive 6.68% net of fees return and added net investment income of \$3.6 billion to the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 9.02% for the 10-year, 8.08% for the 25-year and 8.25% for the 30-year period ended June 30, 2019.
- As of June 30, 2019, PSERS investment professionals were managing approximately \$24.9 billion, or 39% of the System's asset exposures in-house. For FY 2019, by managing assets internally, PSERS was able to save approximately \$50 million in manager fees.



Pension Benefit Payments

- PSERS paid \$6.7 billion in total benefit payments for the fiscal year ended June 30, 2019.
- Of this amount nearly 93%, or \$6.3 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, 2019, PSERS had approximately 256,000 active members and 773 school employers with an employer payroll of \$13.8 billion. In FY 2019, members contributed more than \$1 billion in contributions to the Fund. PSERS also had over 237,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,498.

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 \$6.2 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 2019 (\$ Amounts in Billions)**

The 58.1% actuarial funded ratio as of June 30, 2019 is a significant turning point for the System as future funded ratio projections are now projected to rise; reversing years of decline since the 123.8% funded peak at June 30, 2000. On a market value basis, PSERS' funded ratio, also continued to increase.

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2019	\$ 105.3	\$ 61.2	\$ (44.1)	58.1%
2018	\$ 103.1	\$ 58.2	\$ (44.9)	56.5%

* 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, 2019 (\$ Amounts in Millions)

Assets:	
Receivables:	
Contributions due from members and employers	\$ 1,671
Investment receivables and other miscellaneous	901
Total Receivables	<u>2,572</u>
Investments (at fair value)	57,729
Securities lending collateral pool	4,518
Capital assets	21
Miscellaneous	25
Total Assets	<u>64,865</u>
Liabilities:	
Benefits and other accounts payable	757
Investment purchases and other liabilities	292
Obligations under securities lending	4,518
Other Liabilities	163
Total Liabilities	<u>5,730</u>
Net Position - restricted for pension, DC, and postemployment healthcare benefits	<u>59,135</u>

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2019 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, July 1, 2018	\$ 56,729	A
Additions during the year:		
Contributions, DC Participant premiums, and Centers for Medicare & Medicaid Services	6,108	
Net investment income	3,635	
Total Additions	<u>9,743</u>	B
Deductions during year:		
Benefits and refunds paid to members	7,237	
Administrative expenses	100	
Total Deductions	<u>7,337</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)	2,406	D
Net Position - restricted for pension, DC, and postemployment healthcare benefits at end of year, June 30, 2019 (A + D)	<u>\$ 59,135</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
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