

PSERS Retired Member Newsletter

Volume I - 2023

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

Inside this Issue:

- ◆ Message from PSERS' Executive Director
- ◆ 2023 Payment Calendar
- ◆ State of the Fund & More...

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Your *Form 1099-R* Coming in January

Your *Form 1099-R* reflects the total payments issued to you from PSERS during the calendar year. The form is to be used to prepare your annual federal income tax return. PSERS issues the *Form 1099-R* during the month of January, usually starting the middle of the month with all forms being sent by January 31.

Instead of watching a physical mailbox and waiting for mail delivery, members can electronically access their *Form 1099-R* through the Member Self-Service (MSS) Portal. Through MSS, the *Form 1099-R* is electronically delivered sooner and securely with the ability to access it at any time and as often as needed exclusively through your MSS account. Registering for MSS automatically enables members to receive all their important PSERS documents through quick, secure, and paperless delivery, with the choice to opt out at any time. This means no more waiting for a paper *Form 1099-R* to be delivered in the mail. Members with paperless delivery will receive an email when their *Form 1099-R* is available.

If you are not enrolled in MSS or paperless delivery, watch your mailbox for delivery of your *Form 1099-R* via USPS. If you do not receive your *Form 1099-R* by February 15, 2023, log in to your MSS account to retrieve the electronic copy or contact PSERS for a duplicate copy.

Phone Menu to Request Copies of your *Form 1099-R*

Beginning in February, new phone menu options will be available for *Form 1099-R* inquiries to decrease wait times. If you are not enrolled in MSS and have not received your *Form 1099-R* or need additional copies, you simply select the option on the phone menu to request a paper copy of your *Form 1099-R*. Requested copies of *Form 1099-R* can only be sent to the address PSERS already has on file.

This phone menu option is ONLY for callers who are requesting a copy of their *Form 1099-R*. If you are calling for any other reason, please do not select this menu option. Staff will be unable to assist you and your call will be placed back in the main phone queue, resulting in a longer overall wait time.



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.

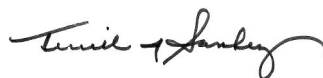
Finally, we have an outside pension consultant working with staff to review our systems of internal controls and provide recommendations to improve those controls, increase efficiencies, and reduce risk throughout the agency. This review will set us up well for the upcoming rigorous audit of operations 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

2023 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 next month. See chart below:

Benefit for Month of:	Paid on:	Deduction of Medical Premium for:
January	January 31	February
February	February 28	March
March	March 31	April
April	April 28	May
May	May 31	June
June	June 30	July
July	July 31	August
August	August 31	September
September	September 29	October
October	October 31	November
November	November 30	December
December	December 29	January 2024

Missing Direct Deposit Payments

Payments sent via direct deposit (Electronic Fund Transfer (EFT)) to your financial institution should be in your account on the last business day of the month. Always check to ensure your electronic deposit is in your account on that date. If it is not, contact your financial institution to make sure the delay was not within its system. If you recently enrolled in or submitted a change to direct deposit with PSERS, verify with your financial institution the account number and routing number that 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 15th of the following month (e.g., your January check has not arrived by February 15). Waiting until the 15th 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.

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
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 Retiree Board Member Election Result

Susan C. Lemmo was elected to serve as a trustee of the PSERS Board representing annuitants and Class DC participants receiving distributions. Mrs. Lemmo won 49% of the 48,087 ballots cast in the three-way race, according to election results the Board Governance and Administration Committee and Board Secretary certified at a public meeting on December 16, 2022. Her term began on January 1, 2023, and ends on December 31, 2025.

Mrs. Lemmo retired from the Curwensville Area School District after 31 years. She holds a BFA from Indiana University of Pennsylvania, and an MFA from Pennsylvania State University. Mrs. Lemmo has represented active certified PSERS members since 2014. She earned the Certified Public Pension Trustee accreditation from the Pennsylvania Association of Public Employees Retirement Systems (PAPERS) and has served as Treasurer of CCEJC Central Labor Council since 2005. Mrs. Lemmo resides in Clearfield with her husband, Randy. She was active in PSEA as local and region president, serving on the PSEA Board of Directors and the PSEA PACE Board. She also owns several small businesses.

This will be Mrs. Lemmo's first term representing annuitants and Class DC participants. She has served three terms as one of three elected trustees selected by active certified members and participants. Mrs. Lemmo's final active certified term expired on December 31, 2022, and her term as the retiree representative started in the New Year.

"I am honored PSERS retirees allowed me to continue serving our membership in this new Board capacity," Mrs. Lemmo said. "I will continue to do my best to always abide by my statutory Board duty to stand in a fiduciary relationship to the members of the System."

The Board election was held from November 1, 2022, to December 6, 2022, via internet, telephone, and mail. Russell James Diesinger, a retired Reading School District teacher, earned 32% of the vote and James P. Hoover, a retired teacher and administrator with the Pennsylvania Distance Learning Charter School earned 19% of the vote.

IMPORTANT: IRS Changes to Form W-4P May Impact your Federal Tax Withholding

The Internal Revenue Service (IRS) issued revisions to the *Form W-4P (Withholding Certificate for Periodic Pension or Annuity Payments)*, **but no action is required by you to keep your withholding the same.**

For additional information, please visit the IRS website at [irs.gov](https://www.irs.gov).

Want to change your tax withholding? There are three methods available to change your federal tax withholding:

1. Change your federal withholding amount through the Member Self-Service (MSS) Portal.
2. Submit a *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.
3. Submit an IRS *Form W-4P* to PSERS.

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."

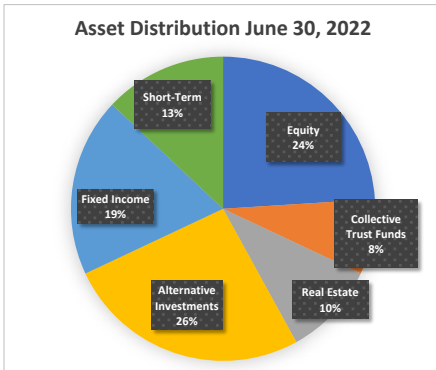
PSERS' Total Net Position
(as of fiscal year ended June 30, 2022)

\$71.2 Billion

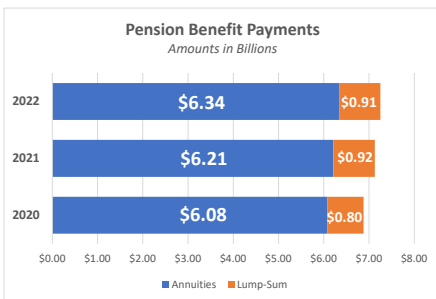
Net Position Held in Trust

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		<u>2,472</u>
Investments (at fair value)		70,905
Securities lending collateral pool		9,829
Capital assets		15
Miscellaneous		31
Total Assets		<u>83,252</u>
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		<u>12,100</u>
Net Position - restricted for pension, DC, and postemployment healthcare benefits	\$	<u>71,152</u>

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		<u>6,506</u>	B
Deductions during year:			
Benefits and refunds paid to members		7,795	
Administrative expenses		92	
Total Deductions		<u>7,887</u>	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)	\$	<u>71,152</u>	

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.