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Member Self-Service Portal Launching in 2017

PSERS will be launching the new Member Self-Service (MSS) portal this year. As mentioned in the previous newsletter, MSS is a secure portal that will provide you with 24-hour access to your retirement account from the convenience of your computer at home.

What can I do with an MSS account?

In your MSS account, you will be able to:

- Update your mailing address.
- Update your phone numbers and email address.
- Download an income verification letter from PSERS.
- View disbursements.
- Calculate federal tax withholding using an online calculator.
- View and update pension payment tax withholding.
- Receive and view correspondence electronically.
- Read PSERS-related news and alerts.
- Nominate/change a beneficiary (if eligible).
- View your check change letters.
- View and print your *Form 1099-R*.

(continued on page 2)

Board Election Result

Melva S. Vogler was reelected as Retired Member Representative for the PSERS Board of Trustees for a term of three years beginning January 2017. Ms. Vogler earned her bachelor's degree from Susquehanna University and her master's degree from Marywood College. She retired from the Wallenpaupack Area School District in 2013. Ms. Vogler currently serves on PSEA's Staff Pension Board and was a member of PSEA's Board of Directors. She is currently serving on the National Council on Teacher Retirement (NCTR) Legislation Committee and has been President of NCTR. She has also served on the executive committee of the Council of Institutional Investors (CII). Ms. Vogler is currently a member of Pennsylvania Association of School Retirees (PASR) and Pennsylvania State Education Association Retired (PSEA-R).

(continued on page 2)

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PSERS Board of Trustees Meeting

March 10, 2017

May 25, 2017

June 16, 2017

October 6, 2017

December 8, 2017

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.

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

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

Who can register to use MSS?

PSERS members, alternate payees, and survivor annuitants can sign up for an MSS account.

What information do I need to register for an MSS account?

You will need:

- A valid personal email address.
- Your date of birth and social security number.

If I have an online PSERS account (Interaction), do I need to register for an MSS account?

Yes. MSS will **replace** Interaction and you will need to register for a MSS account. Interaction will be available to members until PSERS launches MSS. You will no longer have access to Interaction after MSS becomes available. Notices will be placed on the Interaction home page informing members when the Interaction system will be retired.

When can I register for an MSS account?

PSERS will notify you in the next few months to register for an MSS account. Please watch for more information.

(PSERS Board Election Result...continued from page 1)

About PSERS' Board of Trustees

PSERS is governed by a 15-person Board of Trustees (PSERB). The members of the Board stand in a fiduciary relationship to PSERS members regarding the investments and disbursements of money of the Fund. In other words, the Board stands in the place of the members when dealing with the money in the Fund. As trustees of the Fund, the Board oversees the performance and investments of the Fund with full power to invest money subject to a "prudent investor standard."

Several key duties of the Board include:

- Annually establishing and monitoring the asset allocation for the Retirement Fund
- Approving the selection of external money managers
- Conducting an annual actuarial valuation
- Conducting an actuarial experience study and actuarial audit every five years
- Annually establishing the employer contribution rate
- Conducting an independent annual financial audit of PSERS
- Adjudicating all benefits appeals
- Interpreting the Retirement Code and ensuring the proper administration of member accounts.

PSERB meets approximately six times a year. Meetings are open to the public—a schedule is provided for you in this newsletter.

Form 1099-R Mailings

Form 1099-R reflects the total payments 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, 2017, 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.

Any changes to your monthly check as a result of Federal Withholding Tax table revisions will appear at the top of your *2016 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 2016 and January 2017 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."

Update Your Mailing Address

The U.S. Post Office returns approximately 7,500 pieces of mail to PSERS each year due to invalid addresses. As a retiree, an up-to-date mailing address not only allows you to receive informational publications and your yearly *Form 1099-R*, but also ensures that you continue to receive your monthly benefit payment. **Regardless of how you receive your monthly benefit, your payments will be stopped if your mailing address is not valid.**

Please submit any address changes to PSERS in writing. You can do this either by sending a letter to PSERS or by completing the *Change of Address for PSERS Retirees and Non-Active Members* (PSRS-1301) form that is on the PSERS website. You may also call PSERS at 1.888.773.7748 and request that the form be sent to you. Be sure to include your signature, last four digits of your social security number, and the effective date of the change.

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.state.pa.us

Email Address:
ContactPSERS@pa.gov

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

Customer Service Improvements

Through 2016, PSERS continued its multi-year effort to upgrade its entire pension administration system. This technology upgrade helps ensure the viability of PSERS' pension administration system into the future, and it will make future enhancements much easier to implement. These changes will not only directly increase customer service opportunities, but will also generate financial savings while potentially enabling PSERS to redeploy staff to other critical needs as workloads shift.

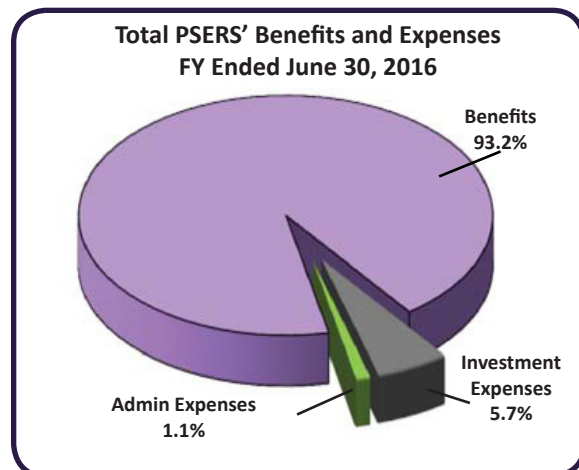
PSERS also expanded its program of reviewing active member accounts at periodic milestones during the member's career to ensure each detail of a member's account is accurately portrayed prior to the member applying for retirement. Nearly 24,000 accounts were reviewed in FY 2016, which included the milestone of reviewing all members identified as having 35 or more years of service.

PSERS increased its efforts to provide retirement benefits in a more efficient manner. Approximately 87% of the retirement benefits processed in FY 2016 were paid through a shorter, streamlined process. This shorter process allows for retirement benefits to be processed and finalized in one step rather than the previous two-step process.

For more articles like this one, refer to the Summary Annual Financial Report (SAFR) on the PSERS website under "Publications."

Budgetary and Financial Governance

PSERS participates in an annual independent, international benchmarking survey evaluating its costs and service performance in comparison to other public pension funds. Based on the most recent survey, PSERS had a 16% 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 \$7.3 million annually in administrative expenses compared to its peers.



PSERS' administrative budget is not funded by taxpayers through the Commonwealth's General Fund, but rather from the earnings of the Fund itself. Historically, PSERS has underspent its approved budget, keeping more funds available to invest for PSERS members.

PSERS is prudent in its use of funds and managing its annual budget. In FY 2016, PSERS entered into a new agreement for its hardware and server maintenance resulting in significant savings. PSERS reduced mailings to members and is moving toward electronic newsletter distribution, producing savings in both printing and postage costs. Working with its actuary, PSERS continues to save actuarial fees by completing various analyses in-house. Other reductions were made in wages, overtime, travel, and training, all part of PSERS' ongoing efforts to control costs and improve operational efficiency.

For more articles like this one, refer to the Summary Annual Financial Report (SAFR) on the PSERS website under "Publications."

2016 Cost Saving Highlights

- ✓ Reduced Hardware and Server Maintenance cost by \$317,681.
- ✓ Reduced Wages by \$120,747.
- ✓ Reduced Overtime by \$26,249.

2017 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 2017 Paid on:	Medical Deduction for Month of:
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 2018

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.

Direct Deposit

Direct deposit is a safe, reliable way to receive your PSERS monthly benefit payments. To sign up, please complete and submit 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.***

You will receive a confirmation letter when your direct deposit request is processed. If you are changing the bank account where you would like to receive your benefit, PSERS strongly recommends that you do not close the old account until your monthly benefit payment is deposited successfully into your new account.

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

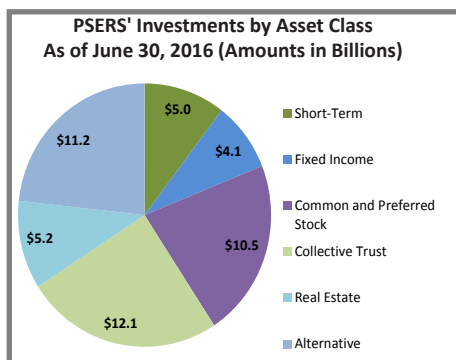
Highlights of PSERS' funding as of June 30, 2016, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2016* (CAFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS' website, www.psers.state.pa.us, through the "Publications" page.



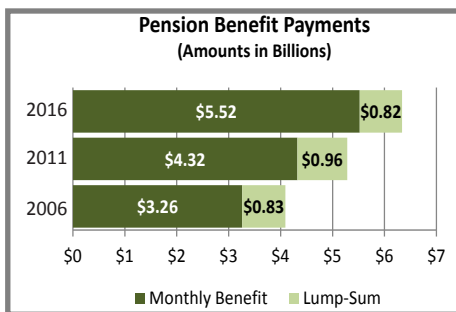
Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$50.2 billion as of June 30, 2016. The System is the 20th largest state-sponsored public defined benefit pension fund in the nation and the 31st largest among public and corporate pension funds in the nation.

Investments



- In FY 2016, PSERS earned a positive 1.29% net of fees return and added net investment income of \$474 million to the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 8.18% for the 25-year and 8.32% for the 30-year period ended June 30, 2016.
- Since the Great Recession ended in FY 2009, PSERS earned an annualized return of 9.16% net of fees.
- During FY2016 PSERS increased the amount of asset exposure managed internally by PSERS investment staff from \$16.8 billion, or 30% of PSERS exposures, to \$19.2 billion, or 34% of the System's exposures.



Pension Benefit Payments

- PSERS paid \$6.3 billion in total benefit payments for the fiscal year ended June 30, 2016.
- Of this amount approximately 90%, or \$5.7 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 \$467 million in pension benefits and \$9 million in premium assistance.

Total Membership - Active & Retired

As of June 30, 2016, PSERS had over 257,000 active members and 781 school employers with an employer payroll of \$13.0 billion. In FY 2016, members contributed nearly \$1 billion in contributions to the Fund. PSERS also had nearly 225,00 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,203.

Reducing Costs

- For the third year in a row, PSERS' investment manager fees have declined. PSERS' investment expenses decreased by over \$142 million, from \$558 million in FY 2013 to \$416 million in FY 2016, which is a reduction of over 25%.
- Based on the most recent international benchmarking survey, PSERS had a 16% 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 \$7.3 million annually in administrative expenses compared to its peers.

Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Year 2016 (\$ Amounts in Billions)

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2016	\$ 100.1	\$ 57.4	\$ (42.7)	57.3%

* 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, 2016 (\$ Amounts in Millions)

Assets:		
Receivables:		
Contributions due from members and employers		\$ 1,298
Investment receivables and other miscellaneous		1,898
Total Receivables		<u>3,196</u>
Investments (at fair value)		47,998
Securities lending collateral pool		2,093
Capital assets		23
Total Assets		<u>53,310</u>
Deferred outflows of resources		11
Liabilities:		
Benefits and other accounts payable		748
Investment purchases and other liabilities		328
Obligations under securities lending		2,093
Total Liabilities		<u>3,169</u>
Deferred inflows of resources		1
Net Position - restricted for pension and postemployment healthcare benefits		<u>50,151</u>

Condensed Statement of Fiduciary Net Position as of June 30, 2016 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, July 1, 2015	\$ 51,885	A
Additions during the year:		
Contributions, Participant premiums, and Centers for Medicare & Medicaid Services	4,651	
Net investment income	474	
Total Additions	<u>5,125</u>	B
Deductions during year:		
Benefits and refunds paid to members	6,779	
Administrative expenses	80	
Total Deductions	<u>6,859</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)		(1,734) D
Net Position - restricted for pension and postemployment healthcare benefits at end of year, June 30, 2016 (A + D)	<u>\$ 50,151</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
Important Information from the
Commonwealth of Pennsylvania