



# LIFE EXPECTANCY AND YOUR RETIREMENT

Changes effective July 1, 2018

You may have heard that PSERS is changing the life expectancy assumptions used in our benefit calculations beginning next school year. This presentation is designed to explain the need for these changes and how it might affect you if you are nearing retirement.

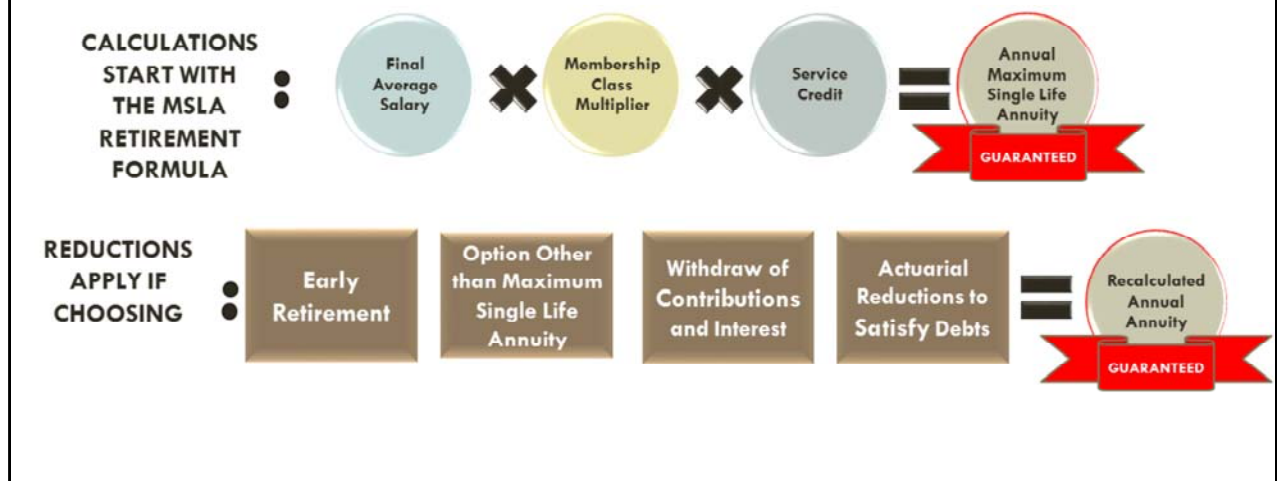
## WHAT ARE THE LIFE EXPECTANCY ASSUMPTIONS?

- Projection of how long you will live after retirement
- Age at retirement used to determine life expectancy



For the purpose of this presentation, life expectancy assumptions are an important component of the calculations by PSERS to know how long to plan on a member living after retirement. This information is important because some of the calculations we do to determine your retirement benefit payments are based on your life expectancy. The accuracy of these assumptions ultimately impact the overall funding of PSERS.

## IF MY RETIREMENT IS BASED ON A FORMULA, WHY IS LIFE EXPECTANCY IMPORTANT?



The **Maximum Single Life Annuity** retirement formula is the starting point for how your benefits will be calculated. Your final average salary is multiplied by your number of years of service and by the multiplier for your membership class. **Your life expectancy is used to determine a lifetime value for that amount of money.** All benefit calculations are then based on this amount of money.

If you retire under an early retirement, select an option other than the Maximum Single Life Annuity, withdraw contributions and interest, or have any debts on your account at retirement, PSERS uses your life expectancy to calculate how much your **monthly annuity** payment needs to be reduced to provide this alternate benefit using that same pool of money.

**It is important to note that regardless of the calculated lifetime value, you (and your survivors as applicable) are guaranteed to receive the monthly annuity benefit that has been calculated for the rest of your life(lives).**

## WHY ARE THE LIFE EXPECTANCY ASSUMPTIONS CHANGING?

- Payments guaranteed for life
- Same benefit whether you live longer or shorter than anticipated
- Actual experience that differs from expected experience results in gains or losses to the retirement fund.
- Reviewed by actuaries every five years
- Collective experience of PSERS membership over the past 5 years
- Our members are living longer than expected
- So much so that changes should be made to the current assumptions used when calculating benefits.



Because you are guaranteed a monthly payment for the rest of your life from PSERS and because your beneficiary(ies) or survivor annuitant are guaranteed the appropriate death benefit payment(s) based on the option you chose at retirement, we can't stop paying you your benefits, or not pay your survivor annuitant theirs, if you or they live longer than we projected. Likewise, if it is found that member life expectancies are shorter than anticipated, **we cannot pay more than the annuity promised.**

We need to know what the experience has been in the past to predict what it will be in the future so that benefit calculations can be adjusted. **To better reflect actual experience, which results in better funding of the system.**

Every five years, PSERS's actuaries review the system's experience with its members. Based on this evaluation of the trends of our members, our actuaries know if they need to recommend changes to a number of different calculations, including how long we expect members to live. During the most recent audit, it was determined that life expectancy assumptions need to be adjusted.

## WHO WILL BE AFFECTED BY THIS CHANGE?

- Retirees with dates starting **July 1, 2018**
- Current factors continue for retirements prior to change
- **No impact** to members currently retired

July 2018						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Jul 1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	Aug 1	2	3	4

The new life expectancy tables go into effect on July 1, 2018. All benefits processed with an effective date of retirement on or after July 1<sup>st</sup> will use the new life expectancy assumptions. There will be no impact to members who are already retired.

## HOW WILL THIS CHANGE AFFECT MY PENSION BENEFIT?

- Minimal **reduction** for **younger** members and/or survivors
- Minimal **increase** for **older** members and/or survivors



The impact of this change on your pension benefit depends on your age at the time of retirement if you retire before normal retirement or choose any retirement option other than the Maximum Single Life Annuity . If you choose Option 2 or 3, your survivor annuitant's life expectancy also needs to be considered in the benefit calculation. The difference in payment amounts is minimal- generally 1% or less. If you are of average retirement age you would have next to no change in your payment amounts regardless of if your retirement is before or after the change is effective. The younger you or your survivor are at retirement, the more of a reduction there will be in your payment amount if your retirement is on or after July 1, 2018. The older you and your survivor are, the more of an increase there will be in your payment amount with a retirement after the change is effective. Again, this increase or decrease will generally be no more or less than 1% of the amount of your payment. A few examples follow on the next slides.

## MEMBER AGE 55, SURVIVOR AGE 58

	Monthly Benefit		Difference
	Pre 7/1/18	Post 7/1/18	
<b>Maximum Benefit</b>	\$2,100.00	\$2,100.00	<b>No Change</b>
<b>Option 1</b>	\$2,037.84	\$2,016.84	<b>↓ \$21.00</b>
<b>Option 2</b>	\$1,936.41	\$1,921.29	<b>↓ \$15.12</b>
<b>Option 3</b>	\$2,014.74	\$2,006.55	<b>↓ \$8.19</b>

Members who are younger than average at the time of retirement would see a decrease in payment amounts after the change is in effect. In our first example calculation the member is age 55 with a 58 year old survivor annuitant for Options 2 or 3. The Maximum Single Life Annuity amount we are using for the samples is \$2,100. As of July 1, 2018 the Option 1 payment decreases by \$21.00, Option 2 by \$15.12, and Option 3 by \$8.19. The younger a member is at the time of retirement, the more of a decrease there will be in the payment amount.

## MEMBER AGE 65, SURVIVOR AGE 68

	Monthly Benefit		Difference
	Pre 7/1/18	Post 7/1/18	
<b>Maximum Benefit</b>	\$2,100.00	\$2,100.00	<b>No Change</b>
<b>Option 1</b>	\$1,945.44	\$1,946.07	<b>↑ \$0.63</b>
<b>Option 2</b>	\$1,869.00	\$1,871.31	<b>↑ \$2.31</b>
<b>Option 3</b>	\$1,977.78	\$1,979.04	<b>↑ \$1.26</b>

In our second example the member is age 65 with a 68 year old survivor annuitant for Options 2 or 3. The Maximum Single Life Annuity amount we are using for the samples is \$2,100. This amount would not change after July 2018 because the maximum option payment is not based on life expectancy. The Option 1 payment increases by \$0.63, Option 2 by \$2.31, and Option 3 by \$1.26.



## MEMBER AGE 70, SURVIVOR AGE 73

	Monthly Benefit		Difference
	Pre 7/1/18	Post 7/1/18	
<b>Maximum Benefit</b>	\$2,100.00	\$2,100.00	<b>No Change</b>
<b>Option 1</b>	\$1,875.93	\$1,886.85	<b>↑ \$10.92</b>
<b>Option 2</b>	\$1,835.19	\$1,842.96	<b>↑ \$7.77</b>
<b>Option 3</b>	\$1,958.67	\$1,963.08	<b>↑ \$4.41</b>

Finally, the older members are at the time of retirement, the more of an increase they will see in their payment amounts after the change is in effect. In this example, a 70 year old member with a 73 year old survivor annuitant for Options 2 and 3 has an increase of \$10.92 under Option 1, \$7.77 under Option 2, and \$4.41 under Option 3.

# WHAT DO I NEED TO DO?

Commonwealth of Pennsylvania - Public School Employees' Retirement System 0101

1 N 5th Street  
Harrisburg PA 17101-1905  
Tel Area: 717 637-2744  
www.persa.com  
Fax: 717 772-3880  
PSERS-011 02/2016

**Request for Retirement Estimate**

Mail Center

Complete this form only if your anticipated retirement date is within the next 12 months. See instructions on the reverse side of this form.

Member Name Rita Retiree	Social Security Number 123-45-6789	Daytime Phone 717-987-6543
Address (Street, City, State, Zip) 246 Walnut Circle Happytown, PA 17101-0123	Email Address retiring@camhvac.com	Evening Phone 717-123-4567

Tentative Date of Retirement: 6/30/2018

Provide your current school year's July 1 - June 30 salary. PSERS will project your final average salary based on the information provided by you and your employer.  
Current School Year's Salary: \$55,000

Survivor Annuity: (See definitions on reverse) Date of Birth: 8/16/1963 Gender: <input checked="" type="checkbox"/> Male <input type="checkbox"/> Female <input checked="" type="checkbox"/> Spouse <input type="checkbox"/> Non-spouse (please check one)	Type of Estimate Request: (Check all that apply) Regular <input checked="" type="checkbox"/> Disability <input type="checkbox"/>	Current Employment Status: Active/Paid Leave <input type="checkbox"/> Unpaid Leave <input type="checkbox"/> Terminated <input type="checkbox"/>
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Previous PSERS Retiree:  
Yes  No

For non-members and members who are not retiring in June must complete the following:  
Number of days or hours from July 1 through June 30 that you expect to work in your final school year of employment:  
Days -OR- Hours

Your Signature: \_\_\_\_\_ Date Signed: 8/11/2017

- Get an estimate
- Submit a Request for Retirement Estimate form
- For more information about the retirement process, attend PSERS Foundations for Your Future



If you are considering retirement between now and when the changes go into effect, there is no need for you to do anything beyond the steps you would normally take as you plan for retirement. When you request your estimate from PSERS, it will be calculated using the appropriate life expectancy tables for the tentative date of retirement you request on your estimate. If the date of your retirement is flexible and you would like to see your benefits calculated using both sets of tables, you may request both dates on your Request for Retirement Estimate form. Keep in mind that your actual date of retirement is determined by your last paid day of employment, submitting a timely Application for Retirement, and whether or not you choose to delay your retirement by vesting your account.

## HOW CAN I GET MORE INFORMATION?



**Account Information and General Questions:**

1.888.773.7748 (Monday- Friday 8:00 a.m. – 5:00 p.m.)



**Email:**

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



**Mailing Address:**

PSERS  
5 N 5th Street  
Harrisburg, PA 17101-1905

If you need additional information about your retirement options, obtaining an estimate, understanding your estimate, and the steps to take as you plan for retirement, you may wish to attend a Foundations for Your Future meeting or view that presentation on our website. If you have any further questions, please contact our Member Service Center at 1-888-773-7748 or your local regional office.