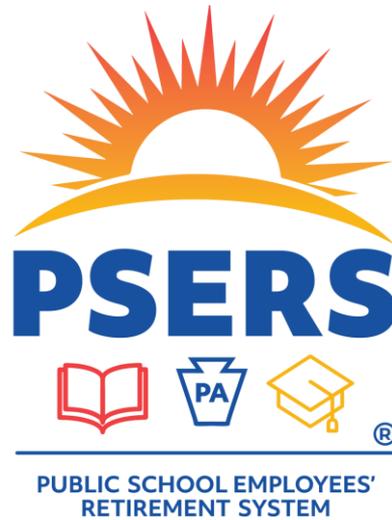


LIFE EXPECTANCY AND YOUR RETIREMENT

Changes effective July 1, 2022



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.

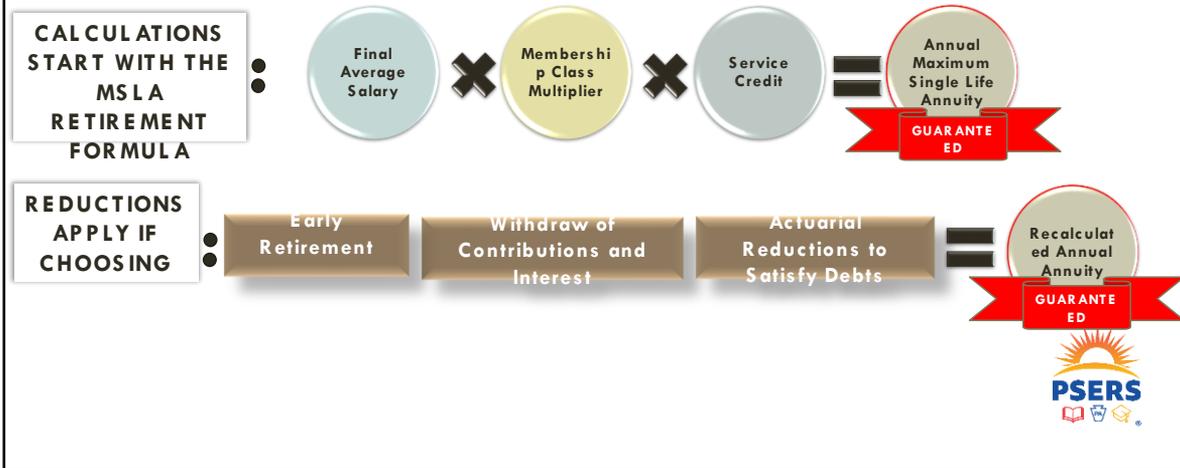
WHAT ARE THE LIFE EXPECTANCY ASSUMPTIONS?

- 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, 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 life expectancies are changing**
- 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.**

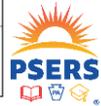
We need to know what the experience has been in the past to predict what it will be in the future so that benefit calculations can be adjusted. **To better reflect actual experience, which results in better funding of the system.**

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, 2022**
- Current factors continue for retirements prior to change
- **No impact** to members currently retired

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, 2022. All benefits processed with an effective date of retirement on or after July 1st will use the new life expectancy assumptions. There will be no impact to members who are already retired. A few examples follow on the next slides.

MEMBER AGE 55, SURVIVOR AGE 58

	Monthly Benefit		Difference
	Pre 7/1/22	Post 7/1/22	
Maximum Benefit	\$2,100.00	\$2,100.00	No Change
Option 1	\$2,018.52	\$2,042.88	↑ \$24.36
Option 2	\$1,918.14	\$1,949.64	↑ \$31.50
Option 3	\$2,005.08	\$2,022.09	↑ \$17.01



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, 2022 the Option 1 payment increases by \$24.36, Option 2 by \$31.50, and Option 3 by \$17.01.

MEMBER AGE 65, SURVIVOR AGE 68

	Monthly Benefit		Difference
	Pre 7/1/22	Post 7/1/22	
Maximum Benefit	\$2,100.00	\$2,100.00	No Change ↑
Option 1	\$1,952.58	\$1,991.01	\$38.43 ↑
Option 2	\$1,873.41	\$1,907.22	\$33.81 ↑
Option 3	\$1,980.09	\$1,998.78	\$18.69 ↑



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 2022 because the maximum option payment is not based on life expectancy. The Option 1 payment increases by \$38.43, Option 2 by \$33.81, and Option 3 by \$18.69.

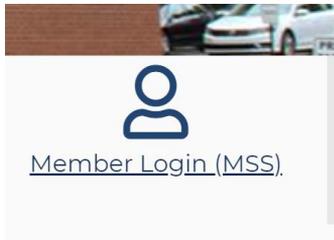
MEMBER AGE 70, SURVIVOR AGE 73

	Monthly Benefit		Difference
	Pre 7/1/22	Post 7/1/22	
Maximum Benefit	\$2,100.00	\$2,100.00	No Change
Option 1	\$1,926.54	\$1,939.77	\$13.23
Option 2	\$1,870.68	\$1,877.40	\$6.72
Option 3	\$1,978.62	\$1,982.40	\$3.78



At age 70, it is not as large of a change. This is because the changes in life expectancy varied by age group. In this example, a 70 year old member with a 73 year old survivor annuitant sees an increase of \$13.23 for Option 1, \$6.72 for Option 2, and \$3.78 for Option 3.

WHAT DO I NEED TO DO?



- Go to PSERS.pa.gov and log into your Member Self-Service (MSS) account to create your own comparative estimates.



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. If you already have a staff prepared estimate or are unsure of whether you are retiring yet, you should create your own comparison estimates in your PSERS Member Self-Service (MSS) account. If you know you are retiring and have not yet requested a staff prepared retirement estimate, 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:

Contact PSERS@pa.gov

Or message PSERS securely from your Member Self-Service (MS) account.



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 view the Foundations for Your Future presentation on the PSERS website. If you have any further questions, please contact our Member Service Center at 1-888-773-7748.