

Inside...

- Life Expectancy Assumption Changes
- Do's and Don'ts of Insurance Annuities
- State of the Fund

& More...

IMPORTANT: Interaction accounts will no longer be active when Member Self Service (MSS) launches in Spring 2018. If you currently have an Interaction account and a valid email address on file with PSERS, we will send you an invitation to register for your MSS account.

New PSERS Member Self-Service Portal: Your Pension Account—Online, Anytime

As you may have read in previous editions of our newsletter, PSERS is launching a new Member Self-Service (MSS) portal this Spring. MSS will allow members to access and manage their pension plan account information securely online anytime, anywhere.

MSS will offer new and improved features, allowing members to:

- Manage and update their personal information—phone numbers, email address and mailing address. If you will be moving or will be living elsewhere for an extended period of time, you can set your address change to take effect on a future date.
- Nominate or update beneficiary(ies), if eligible.
- Elect Class T-F membership (if eligible) and receive immediate confirmation of your election.
- Elect Multiple Service membership (if eligible).
- Receive email notification when your documents are available on the MSS Portal (e.g., Statement of Account, newsletters, purchase of service, statements of amount due and other PSERS-specific correspondence).
- Receive personalized alerts about your account, including an alert when you have changed your address, elected Multiple Service, and more.
- View a summary of your account.
- Print important documents (e.g., *Statement of Account*, staff-prepared estimates).
- Create retirement estimates.
- Stay current with PSERS-related news.

In the coming months, you will receive more information about MSS and instructions for registering on the site.

Volume 2 2018 Newsletter Notice

Following the launch of MSS, you will receive a MSS Member Quick Start Guide instead of the newsletter that is normally mailed in April. PSERS will mail the Volume 2 2018 newsletters in October.

Thank you for your understanding! If you have any questions or concerns, please contact the PSERS Member Service Center by emailing ContactPSERS@pa.gov.

The Public School Employees' Retirement System (PSERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances, and is not a complete statement of the law or administrative rules. The statements in this document are not binding. In any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail. This document is designed solely to provide an overview of benefits available to PSERS members and is not intended to be a substitute for retirement counseling. The contents of this newsletter may not be used for any commercial purpose without PSERS' prior written permission.

Life Expectancy Assumption Changes

Every five years, the PSERS actuaries review the system's experience with its members. During the most recent review, it was recommended that the life expectancy assumptions be adjusted. Effective July 1, 2018, PSERS will adjust the life expectancy assumptions used in benefit calculations. Please note, however, that this change will only affect members retiring on or after July 1, 2018.

The impact on your pension benefit resulting from the change to the life expectancy assumptions will depend on your age at the time of retirement if you retire before normal retirement, and whether you choose a retirement option other than the Maximum Single Life Annuity (MSLA). If you choose Option 2 or 3, your survivor annuitant's life expectancy will also impact the benefit calculation but will be minimal – generally one percent or less of the amount before the assumption change.

- If you are near the normal age of retirement there will be a minimal change to your payment amount whether your retirement occurs before or after the effective change.
- The younger you or your survivor annuitant 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 annuitant are, the more of an increase there will be in your payment amount with a retirement after the change is effective.

Retiring within the next 12 months?

If you are planning to retire within the next 12 months, be sure to:

- Request a staff-prepared estimate by submitting a *Request for Retirement Estimate* (PSRS-151), which is available on the PSERS website.
 - When you request your estimate from PSERS, it will be calculated using the appropriate life expectancy tables based on your requested date of retirement.
 - If your retirement date is flexible and you would like to see your benefits calculated using both sets of tables, you may provide both dates on your Request for Retirement Estimate form. **Keep in mind: Your actual date of retirement is determined by your last paid day of employment, timely submission of your *Application for Retirement* (PSRS-8), and whether or not you choose to delay your retirement by vesting your account.**
- Contact your employer to discuss benefits available such as payment for unused vacation, sick leave, sabbatical leave, and health insurance.
- Consult with a financial planner or tax consultant, if appropriate.
- Contact the Social Security Administration regarding your benefits, if applicable.
- Research your employer's guidelines for retiring, terminating, and resigning.
- Review helpful materials and presentations on the PSERS website.
- If you have not already done so, attend a Foundations For Your Future (FFYF) program conducted by PSERS staff. Registration is not required and a list of programs in your area can be found on the PSERS website or by contacting PSERS directly.
- Schedule and attend a Retirement Exit Counseling session. Be sure to bring your staff-prepared estimate to your counseling session.

For a more detailed checklist, visit our website and select "Countdown to Retirement" under "Nearing Retirement."

If you have questions as you prepare for retirement, contact your PSERS regional office. Contact information is available on the PSERS website under "Regional Offices."

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 (FFYF) program. The FFYF presentation is also available on our website at www.psers.pa.gov. If you have any further questions, please contact our Member Service Center or your local regional office.

More information and examples of the impacts regarding the changes to the life expectancy assumptions can be found on the "Presentation" page on our website at www.psers.pa.gov.

The Do's and Don'ts of Annuities



Article courtesy of the Pennsylvania Insurance Department

Any questions regarding the information in this article should be directed to the Pennsylvania Insurance Department. You may visit their website at www.insurance.pa.gov or call them at 1.877.881.6388.

Twitter: [@PAInsuranceDept](https://twitter.com/PAInsuranceDept)

Facebook: [Facebook.com/PAInsuranceDepartment](https://www.facebook.com/PAInsuranceDepartment)

An annuity is a contract between you and an insurance company for the payment of money while you are living. Many people buy annuities to help manage their income in retirement. Inappropriate sales practices can occur, so before you buy an annuity, think about these Do's and Don'ts.

Do:

- Read the materials. If you don't understand something, find someone you trust and ask.
- Understand that money put in an annuity is typically "locked up" for a period of time specified in the annuity, often five to ten years. If you withdraw some or all of your money during the specified time period, you will have to pay a penalty called a surrender charge. Annuities are not for short term goals.
- Ask about these surrender charges. Do you intend to keep the annuity for the entire surrender charge period? Usually, the closer you are to the end of the time the money must be "locked up", the smaller the surrender charge.
- Pay attention to optional features offered with annuities, and get information about additional fees associated with adding benefits.
- Use the free look period all annuities have. Read and understand the terms of the contract. If you decide the terms are not favorable, you can cancel the contract and receive all of your money back. This only applies during the free look period, so make sure you know when this period ends.



Don't:

- Be pressured into thinking you need to buy an annuity today or right now. Don't feel obligated to buy because someone gave you a free lunch, dinner, or gift.
- Make your check out to the agent or producer, only to the company issuing the annuity.
- Accept verbal assurances; always verify policy terms in writing.
- Work with an agent unable or unwilling to provide credentials.



For more on annuities, visit www.insurance.pa.gov, click on "Seniors" under "Top Pages", then click on "Annuities".

To verify a producer's license (agent or broker) at www.insurance.pa.gov, go to "Consumers" at the top of the page, click on "Find Insurance Professional", then under Resources, click on "Find a Licensed Individual".

Foundations for Your Future Programs

Each year, PSERS reviews and revises the Foundations for Your Future (FFYF) programs to help you better understand your PSERS retirement benefits and plan for your future. Regardless of the position you hold with your employer or how close you are to retirement, we suggest that you attend this free program at least once prior to retirement. FFYF programs are held around the Commonwealth throughout the year and enable members to meet and interact with a PSERS retirement representative.

FFYF programs cover topics that will help you better understand your retirement by answering questions such as:

- What does my *Statement of Account* tell me?
- What are purchases of service? How do I apply to purchase service?
- When should I retire?
- How much will I receive?
- What do all the numbers on my estimate mean?
- What are the next steps I need to take and when?

The schedule for FFYF programs and a copy of our FFYF presentation can be found on the PSERS website by selecting "Foundations for Your Future" under "Leaving Employment."

Your employer will also be notified when FFYF programs are happening in your area.

In the event of inclement weather, a program may be cancelled or rescheduled if the facility where it is to be held has closed or dismissed early. Please check the PSERS website to verify that the date and/ or location of the meeting you wish to attend has not changed due to weather conditions or other unforeseen circumstances. Registration is not required and you are free to bring guests.

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1.888.773.7748

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

Website Address:
www.psers.pa.gov

Email Address:
ContactPSERS@pa.gov

PSERS Board Certifies Class T-E and Class T-F Member Contribution Rates

At its December 2017 meeting, the PSERS Board certified the member contribution rates for Class T-E and Class T-F members effective from July 1, 2018 to June 30, 2021. Because PSERS investment performance met the shared risk target range for the six-year evaluation period ending June 30, 2017, the member contribution rate for Class T-E members will remain at 7.5 percent and the rate for Class T-F members will remain at 10.3 percent. The next evaluation period ends June 30, 2020, and will be the basis for the shared risk contribution rate effective July 1, 2021.

Act 120 of 2010 implemented an innovative risk-sharing program for all members who first enrolled in PSERS after June 30, 2011 (Class T-E and Class T-F members). Act 5 of 2017 added a shared gain program for these same members. Class T-E and Class T-F members benefit when investments of the fund are doing well but share some of the risk when investments underperform. The member contribution rate begins at the basic contribution rate established for Class T-E or Class T-F members and is subject to an increase or decrease of 0.5 percent every three years depending on PSERS investment performance. The member contribution rate will never go below 5.5 percent for Class T-E and 8.3 percent for Class T-F members, nor above 9.5 percent for Class T-E and 12.3 percent for Class T-F members.

PSERS Board of Trustees Meeting Schedule

January 18, 2018
March 9, 2018
May 22, 2018
August 10, 2018
October 12, 2018
December 7, 2017

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 Barbara Book, PSERS Executive Office at 1.888.773.7748, extension 4617.

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

Public School Employees' Retirement System as of June 30, 2017

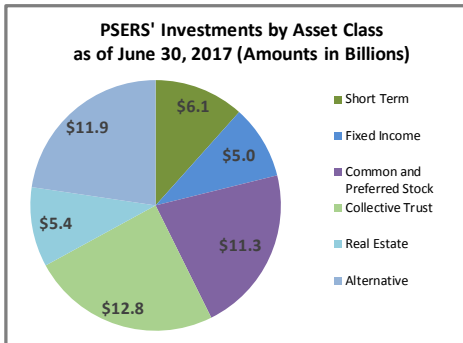
Highlights of PSERS' funding as of June 30, 2017, are provided below. More detailed information is available in the *Comprehensive Annual Financial Report as of June 30, 2017* (CAFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS' website, www.psers.pa.gov, on the "Publications" page.



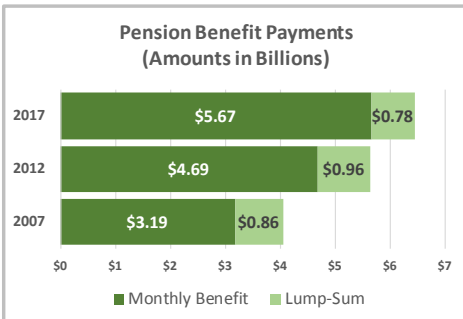
Net Position Held in Trust

The fair value of PSERS' fiduciary net position totaled \$53.5 billion as of June 30, 2017. The System is the 16th largest state-sponsored public defined benefit pension fund in the nation and the 28th largest among public and corporate pension funds in the nation.

Investments



- In FY 2017, PSERS earned a positive 10.14% net of fees return and added net investment income of \$5.0 billion to the Fund.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 8.03% for the 25-year and 8.24% for the 30-year period ended June 30, 2017.
- Since the Great Recession ended in FY 2009, PSERS earned an annualized return of 9.28% net of fees.
- As of June 30, 2017, PSERS investment professionals were managing approximately \$22 billion, or 36% of the System's asset exposures in-house. For FY 2017, by managing assets internally, PSERS was able to save approximately \$39 million in manager fees.



Pension Benefit Payments

- PSERS paid \$6.5 billion in total benefit payments for the fiscal year ended June 30, 2017.
- Of this amount nearly 90%, or \$5.8 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 \$469 million in pension benefits and \$9 million in premium assistance.

Total Membership - Active & Retired

As of June 30, 2017, PSERS had over 255,000 active members and 775 school employers with an employer payroll of \$13.3 billion. In FY 2017, members contributed nearly \$1 billion in contributions to the Fund. PSERS also had over 230,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$25,287.

Reducing Costs

- Based on the most recent international benchmarking survey, PSERS had a 14% 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 \$6.3 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 2017 (\$ Amounts in Billions)

Reaching a Turning Point - As result of receiving full actuarially required contributions, the Fund is nearing a turning point on an actuarial funding basis in FY 17/18. For FY 18/19 and beyond, the Funded ratio is projected to improve after declining since 2001. Market Value Basis is already improving.

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2017	\$ 102.0	\$ 57.5	\$ (44.5)	56.3%

* 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, 2017 (\$ Amounts in Millions)

Assets:		
Receivables:		
Contributions due from members and employers	\$	1,447
Investment receivables and other miscellaneous		1,090
Total Receivables		<u>2,537</u>
Investments (at fair value)		52,486
Securities lending collateral pool		2,016
Capital assets		24
Miscellaneous		17
Total Assets		<u>57,080</u>
Liabilities:		
Benefits and other accounts payable		689
Investment purchases and other liabilities		801
Obligations under securities lending		2,016
Other Liabilities		67
Total Liabilities		<u>3,573</u>
Net Position - restricted for pension and postemployment healthcare benefits		<u>53,507</u>

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2017 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, July 1, 2016	\$	50,151	A
Additions during the year:			
Contributions, Participant premiums, and Centers for Medicare & Medicaid Services		5,368	
Net investment income		4,996	
Total Additions		<u>10,364</u>	B
Deductions during year:			
Benefits and refunds paid to members		6,924	
Administrative expenses		84	
Total Deductions		<u>7,008</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)		3,356	D
Net Position - restricted for pension and postemployment healthcare benefits at end of year, June 30, 2017 (A + D)	\$	53,507	

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