

New Shared Risk/Shared Gain Rate for Membership Classes Beginning July 1, 2024

June 18, 2024

In April 2024, PSERS notified you and the affected membership that the defined benefit member contribution rates were going to be decreasing effective July 1, 2024, due to the implementation of the shared risk/shared gain contribution rate. You and your software/data provider should be testing your internal systems and files so you can confidently be ready to move into the next school year.

PSERS will be implementing the appropriate changes to its pension administration system before July 1, 2024. New contract records for members that are Class T-E, Class T-F, Class T-G, or Class T-H, that begin July 1, 2024, and after will display at the decreased contribution rate. The rate will be updated for existing contract records for affected members for service rendered on and after July 1, 2024.

The CROQ Report will not show the members that are changing to a lower defined benefit member contribution rate. For a comprehensive view of PSERS' contribution rates for your employees, you may generate the Total Service Credit Report with a 2025 fiscal year parameter after July 1st.

For your convenience, the original correspondence is included below. If you have any questions, please contact your PSERS ESC representative.

New Shared Risk/Shared Gain Rate for Membership Classes Beginning July 1, 2024

In December 2023, the PSERS' Board certified the member contribution rates for Class T-E, Class T-F, Class T-G, and Class T-H members effective from July 1, 2024 to June 30, 2027.

Because PSERS' investment performance exceeded the target range for the ten-year evaluation period ending June 30, 2023, the Defined Benefit (DB) member contribution rates will decrease by 0.50% or

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0.75%, depending on a member's membership class within PSERS (see chart below) until the next evaluation period in three years. This decrease will bring the rate back to the base rate for these membership classes.

This change does not have any impact on the amount that is required to be contributed by participants to the DC Plan. This also does not impact the employer contribution rate for fiscal year 2024-2025, which was certified by the Board at 33.9%.

What Is Shared Risk/Shared Gain?

With a "shared risk/shared gain" contribution rate, Class T-E, Class T-F, Class T-G, and Class T-H members can benefit when PSERS' investments are doing well and share some of the risk when PSERS' investments underperform. DB contribution rates may increase or decrease by 0.50% or 0.75% within the specified range every three years.

Act 120 of 2010 and Act 5 of 2017 created a shared risk/shared gain contribution rate for all members who first enrolled in PSERS after June 30, 2011 (Class T-E, Class T-F, Class T-G, and Class T-H members).

Membership Class	Current DB Contribution Rate	Shared Gain Decrease	Total DB Contribution Rate Starting July 1, 2024
Class T-E	8.00%	-0.50%	7.50%
Class T-F	10.80%	-0.50%	10.30%
Class T-G*	6.25%	-0.75%	5.50%
Class T-H**	5.25%	-0.75%	4.50%

*+2.75% DC Contribution Rate; **+3.00% DC Contribution Rate

Next Steps For You

- PSERS is providing notification of this change to known software providers while this email is being shared with you. You should contact your software provider and begin working with them to ensure that your reporting software accommodates these changes in contribution rates.

- These new rates will begin July 1, 2024, for impacted employees for service rendered in FY 2024-2025.
- Remember, reporting to PSERS is based on when the service occurred, not when it is paid. This means that your payroll system will need to allow for prior contribution rates to be used when reporting and withholding for service rendered prior to July 1, 2024. This includes reporting balance of contract funds for FY 2023-2024, late reporting, and for any adjustments for service prior to July 1, 2024.

Next Steps For PSERS

- In the Spring, PSERS will be sending correspondence to all impacted members informing them of their upcoming contribution rate change.
 - **Please note that there is no contribution rate change for Class T-C, Class T-D, and Class DC members so they will not receive a communication from PSERS.**
- PSERS will also be providing information to employers so that they can assist in communicating this change through email, websites, or payroll inserts.
- The next evaluation will be based on PSERS investment experience for the period ending June 30, 2026, and will impact the DB member contribution rate for impacted members beginning July 1, 2027.