



PSERS Active Member Newsletter

Volume 1 - 2024

A publication of the Commonwealth of Pennsylvania's Public School Employees' Retirement System

Inside this Issue:

- PSERS Board Election Results
- Preparing for Retirement
- Purchasing Service Credit: Out-of-State Service
- Wondering about Healthcare in Retirement?
- State of the Fund

& More...

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Publication #9296

Message from PSERS' Executive Director

On behalf of the Public School Employees' Retirement System (PSERS) and PSERS Board of Trustees, I want to wish you and yours a very happy and healthy New Year.

I would also like to share with you that the fund is on a healthy trajectory towards a fully funded status. We are encouraged by the positive progress of our funded ratio, which for the 6th consecutive year has improved rising from 61.6% to 63.6% over the last 12 months. This progress towards a fully funded status is due in large part to strong employer payroll growth and the financial commitment of Governor Shapiro, the General Assembly, and school boards through continued payment of the actuarially required funding. Being fully funded helps provide our members with the promised benefits to which they are entitled, in the most cost-effective way.

Beginning in July, 116,851 public school employees who first began their careers on or after July 1, 2011, will pay 0.5% or 0.75% less for their retirement benefits, marking a welcomed return to their base member contribution rate. This reduction was caused by net investment returns over the past 10 years exceeding a statutory threshold in the calculation of the Shared Risk/Shared Gain Contribution Rate.

Delivering positive outcomes for our members is at the core of what we do at PSERS, and in furtherance of that goal, the PSERS Board recently adopted an all-new strategic plan framework for the agency. This plan represents months of hard work by both members of the Board and staff to better define and map out the work that we are committed to doing, each and every day.

To ensure that PSERS' strategic plan was created with a sense of purpose and built upon a strong foundation, we revisited and ultimately revised PSERS' mission, vision, and values statements. These changes reflect our continued dedication to partner with members, employers, employees, and other stakeholders to provide a secure retirement benefit that will be there for members when they need it.

Our Mission

To be a partner with our members to fulfill the promise of a secure retirement.

Our Vision

To be a trusted partner in delivering exceptional retirement services and benefits.

Our Values

Public accountability and transparency

We are committed to holding ourselves to the highest standards of ethics and accountability and believe that openness and honesty are fundamental to PSERS' success.

Staff growth and development

We are committed to cultivating a human-centered organizational culture and developing team-member competencies to meet the needs of today and tomorrow.

Exceptional levels of service

We are committed to continuous improvement and exploring innovative ways to increase productivity and enhance the customer experience.

Respect for our members, stakeholders, and staff

We are committed to creating an organizational culture that fosters diversity, equity, and inclusion where everyone receives fair treatment and civility.

Stewardship of resources and investments

We are committed to prudently investing the assets and effectively managing the resources entrusted to our care.

(Continued on next page)

The Board also identified six strategic priorities:

- Enhance member satisfaction throughout the customer experience.
- Enhance comprehensive and transparent financial reporting and forecasting.
- Develop the organizational culture and staff/leadership competencies to meet the demands of the future.
- Implement a robust enterprise risk management program.
- Enhance communications, collaboration, and the education of all critical stakeholders.
- Align all organizational units and functions with PSERS' strategic priorities.

These strategic priorities are supported by 25 initiatives, many of which are either already under way or will begin soon. These clear priorities and initiatives provide the focus we need to efficiently work together on the right things at the right time.

We are all excited to embark on this journey over the next few years. We know it will be challenging at times, but we are confident that we have the right staff, leaders, and high-level plans in place to achieve what is laid before us.

PSERS strategic plan is available on our website www.psers.pa.gov.



Respectfully

A handwritten signature in black ink, appearing to read "Terrill J. Sanchez".

Terrill (Terri) J. Sanchez
PSERS' Executive Director

PSERS Board Election Results

Dr. Pamela R. Brown and Mr. Eric O. DiTullio were elected to serve as Trustees of the Pennsylvania Public School Employees' Retirement Board beginning January 1, 2024.

As the only qualified candidate who submitted a nomination petition for the Active Certified seat, Dr. Brown was elected by acclamation at the October 20, 2023, Board meeting. Dr. Brown is an Instructional Support Teacher in the Oxford Area School District and previously worked in corporate accounting and executive management. Her three-year term will run from January 1, 2024, to December 31, 2026.

As the only qualified candidate who submitted a nomination petition for the School Board of Directors seat, Mr. DiTullio was elected by acclamation at the October 20, 2023, Board meeting. Mr. DiTullio is on the Seneca Valley School Board and serves on the Midwestern Intermediate Unit IV Board. This will be his third term on PSERS Board. The new three-year term will run from January 1, 2024, to December 31, 2026.

Preparing for Retirement

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

- **STAFF-PREPARED ESTIMATE:** Request a staff-prepared estimate by submitting a *Request for Retirement Estimate* (PSRS-151), which is available on the PSERS website and on the Member Self-Service (MSS) Portal, or by calling PSERS at 1.888.773.7748. Because PSERS will perform a thorough account review for your estimate, please allow 4 – 6 weeks for processing.
- **FOUNDATIONS FOR YOUR FUTURE:** If you have not already done so, attend a Foundations for Your Future (FFYF) educational program. FFYF programs are designed to give public school employees an overview of their retirement benefits. These programs are conducted in person and via webinar. The recorded presentation is also available on our website.
- **RETIREMENT EXIT COUNSELING:** Schedule and attend a small group Retirement Exit Counseling session. Be sure to bring your staff-prepared estimate to your counseling session. Retirement Exit Counseling sessions are available in person and online. Attending a Retirement Exit Counseling session is proven to eliminate errors in your *Application for Retirement* (PSRS-8) that will delay the processing of your retirement. Our dedicated and specialized retirement representatives can help guide you and your financial planner in ensuring your *Application for Retirement* is completed and timely filed.
- **RESEARCH:**
 - ✓ Review helpful resources on the PSERS website such as the online estimate calculator, pamphlets and handbooks, and the Countdown to Retirement checklist.
 - ✓ Research your employer's guidelines for terminating and resigning.
 - ✓ Contact your employer to discuss employer-provided benefits, such as payment for unused vacation and sick leave, severance payments, and health insurance.
 - ✓ PSERS also sponsors a health insurance plan and a Premium Assistance Program for PSERS retirees. For more information, contact the Health Options Program (HOP) at 1.800.773.7725 or visit the HOP website at hopbenefits.com.
 - ✓ Consult with a financial planner or tax consultant, if needed.
 - ✓ Contact the Social Security Administration regarding your benefits, if applicable.
- **PURCHASE SERVICE:** Make sure to submit a completed purchase of service request to PSERS while you are an active, contributing member of PSERS. Once you terminate PA public school employment, it will be too late to purchase service credit. Additional time restraints and requirements may apply depending on the type of service purchased.
- **APPLICATION FOR RETIREMENT:** Timely submit your completed *Application for Retirement*. To preserve a date of retirement following your last paid day of employment, you MUST file a completed *Application for Retirement* within 90 days of your termination date. You can confirm receipt and track the status of your *Application for Retirement* through the Status Tracker function available in your MSS account.

Visit the *Leaving Employment>Nearing Retirement* on the PSERS website for more information. Contact PSERS with any questions as you prepare for retirement.

Purchasing Service Credit: Out-of-State Service

Active, contributing members may purchase service credit to add additional service to their PSERS account by paying contributions and interest for service rendered if specific eligibility criteria are met. To be eligible to purchase credit for out-of-state service, PSERS must receive your completed purchase of service application before you terminate employment.

Purchases of service for Class T-G and Class T-H members will only apply to the Defined Benefit (DB) component of their retirement.

Out-of-state service

Out-of-state service is service rendered in a public school in another state in the United States where at least one year of service credit was rendered.

Eligibility:

To be eligible, you must have at least one full year of Pennsylvania school service following your out-of-state service.

Additionally, you cannot be receiving, have received, or be eligible to receive a benefit from the out-of-state system. If you have not received a benefit, you will be required to withdraw your contributions and interest only from the out-of-state pension system before you can request to purchase the service with PSERS. Before requesting a withdrawal, you must confirm with the out-of-state system that your withdrawal will include only your employee contributions and the interest on your employee contributions.

Any withdrawal that included or includes Employer contributions, interest on Employer contributions, an Employer match of employee contributions, or any Employer match of interest earned on employee contributions is a benefit received from the out-of-state system that will make you ineligible to purchase the out-of-state service with PSERS.

How to Purchase:

Use the *Purchase of Out-of-State Service* (PSRS-278) form to apply. Have the employer and retirement system, where you rendered the out-of-state service, complete their portion of the form. The completed form, including both the employer's and retirement system's information, must be received by PSERS while you are still an active, contributing member. If your out-of-state service was with more than one employer, each employer and the retirement system must complete a separate application. It is important that you provide the employer and retirement system with these instructions for accurate completion.

Limitations:

Your purchase for out of-state service may not exceed your years of credited Pennsylvania school/state service. Credit may be purchased on a year-by-year basis as you accumulate Pennsylvania school/state service. You may purchase a maximum of 12 years of out-of-state service or 12 years of government service or any combination of the two. The total out-of-state and government service purchased may not exceed 12 years.

Wondering about Healthcare in Retirement?

The Health Options Program can help. PSERS retirees are eligible to enroll in the Health Options Program at retirement or once coverage under the school employer's health plan terminates. The Health Options Program offers medical, prescription drug, dental, and vision care coverage to eligible PSERS participants, their dependents, and survivors.

There's a special incentive just for PSERS members. Premium Assistance, a special financial incentive, helps retirees pay for health coverage premiums for the Health Options Program or another Commonwealth public school employer or district sponsored health plan. If you meet the eligibility requirements, you can be reimbursed up to \$100 a month.

Here's how you can learn more:

- **Visit discoverHOPbenefits.com** for an introduction to the Health Options Program and the available benefits plans.
- **Attend an information session** to learn more about the benefits options and to ask questions. A link to the schedule is on the *Resources* page of discoverHOPbenefits.com.
- **Request an information packet.** It will include details on the plans that are available to you based on where you live, the benefits available, and the rates. Call the HOP Administration Unit at 1-800-773-7725, or email HOPadminunithb@hlthben.com. A representative will take your information and mail you a packet.



PSERS Board of Trustees Meetings

Visit www.psers.pa.gov for the schedule of Board and Committee meetings.

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 live streamed and open to the public.

For exact meeting times or if you would like to attend and require an accommodation to participate, please contact Tivia Danner, PSERS Executive Office at tidanner@pa.gov.

Public School Employees' Retirement System as of June 30, 2023

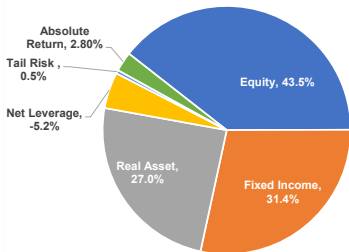
Highlights of PSERS' funding as of June 30, 2023, are provided below. More detailed information is available in the *Annual Comprehensive Financial Report as of June 30, 2023* (ACFR) and the *Summary Annual Financial Report* (SAFR), which are available on the PSERS website, www.psers.pa.gov.

PSERS' Total Net Position
(as of fiscal year ended June 30, 2023)
\$72.8 Billion

Net Position Held in Trust

The fair value of the System's fiduciary net position increased by \$1.6 billion during FY 2023 to \$72.8 billion as of June 30, 2023.

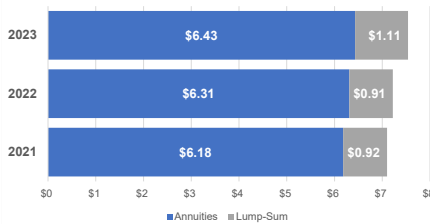
Asset Distribution as of June 30, 2023



Investments

- In FY 2023, PSERS earned a positive 3.54% net of fees return.
- During the fiscal year, performance reflected shifts in the market environment primarily related to rising interest rates, tighter credit markets and geopolitical uncertainty.
- Long-term returns remain above PSERS' return assumption. PSERS posted positive returns of 7.46% for the 10-year and 6.57% for the 25-year period ended June 30, 2023.

Pension Benefit Payments
Amount in Billions



Pension Benefit Payments

- PSERS paid \$7.54 billion in pension benefit payments for the fiscal year ended June 30, 2023.
- Of this amount nearly 90%, or \$6.7 billion, went directly into state and local economies. PSERS pension benefits are a significant economic driver that benefit the economy of the Commonwealth.

Total Membership - Active & Retired

As of June 30, 2023, PSERS had over 251,000 active members and 771 school employers with an employer payroll of \$15.3 billion. In FY 2023, members contributed more than \$1 billion in contributions to the Fund. PSERS also had approximately 250,000 retirees and beneficiaries. The average yearly benefit paid to retirees is \$26,197.

PSERS Defined Contribution Plan Continues to Grow

School employees who became new members of PSERS on or after July 1, 2019, can choose from three classes of membership: two consisting of defined benefit (DB) and defined contribution (DC) components and one that is a stand-alone DC plan. As of June 30, 2023, approximately 64,000 participants were enrolled in PSERS DC Plan and the total DC Plan balance was nearly \$202 million. Membership in PSERS DC plan continues to grow, now accounting for more than 16% of PSERS total membership.

Reducing Costs

Based on the most recent international benchmarking survey, PSERS had a 11% 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 \$6.4 million annually in administrative expenses compared to its peers.

Financial Improvement Continues

- The unfunded accrued liability decreased by \$1.7 billion and the funded ratio increased from 61.6% to 63.6% in FY 2023.
- Employer Contribution Rate (ECR) decreased in FY 2024-25. This was the second decline since since FY 2008-09. This is the seventh year in the row the ECR is lower than projected.

**Comparison of Total Accrued Liabilities to Total System Assets
For Valuation Year 2023 (\$ Amounts in Billions)**

Year	(A) Accrued Liabilities*	(B) Actuarial Value of Assets	(A) - (B) (Unfunded) Funded Accrued Liability**	(B) / (A) Funded Ratio***
2023	\$ 116.3	\$ 74.0	\$ (42.3)	63.6%
2022	\$ 114.5	\$ 70.6	\$ (44.0)	61.6%

* 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. PSERS' funded ratio increased from 59.6% at June 30, 2021 to 61.6% as of June 30, 2023, the most recent actuarial valuation, due to fully funded employer contributions, favorable demographic experience, and positive long-term investment returns.

Condensed Statement of Fiduciary Net Position as of June 30, 2023 (\$ Amounts in Millions)

Assets:		
Receivables:		
Member and employer contributions	\$	1,857
Investment receivables and other miscellaneous		686
Total Receivables		<u>2,543</u>
Investments (at fair value)		71,734
Securities lending collateral pool		6,148
Capital assets		36
Miscellaneous		45
Total Assets		<u>80,506</u>
Liabilities:		
Benefits and other accounts payable		794
Investment purchases and other liabilities		491
Obligations under securities lending		6,148
Other Liabilities		231
Total Liabilities		<u>7,664</u>
Net Position - restricted for pension, DC, and postemployment healthcare benefits	\$	<u>72,842</u>

Condensed Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2023 (\$ Amounts in Millions)

Net Position - restricted for pension and postemployment healthcare benefits at beginning of year, 7/1/2022	\$	\$71,152	A
Additions during the year:			
Member Contributions		1,225	
Employer Contributions		5,403	
Participant Premiums		413	
Centers for Medicare & Medicaid Services		66	
Net investment income		2,830	
Total Additions		<u>9,937</u>	B
Deductions during year:			
Benefits and refunds paid to members		8,151	
Administrative expenses		97	
Total Deductions		<u>8,248</u>	C
Change in Net Position restricted for pension and postemployment healthcare benefits (B - C)		1,690	D
Net Position - restricted for pension, DC, and postemployment healthcare benefits			
at end of year, June 30, 2023 (A + D)	\$	<u>72,842</u>	

Detailed information regarding the financial statements is available in the PSERS' ACFR and SAFR. The ACFR 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.

PSERS
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Harrisburg PA 17101-1905

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**Important Information from the
Commonwealth of Pennsylvania
Public School Employees' Retirement System**



Website
www.psers.pa.gov

Register for PSERS' Member Self-Service (MSS) Portal to access your retirement account online, anytime!



Call or Fax

Toll-Free: 1.888.773.7748

Local Calls: 717.787.8540

FAX: 717.772.3860



**Send us a Secure Message
through your MSS Account!**

Don't have an MSS Account?
Complete the Contact Form on our
website.

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